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ABSTRACT

This book is designed to help students in grades 3-5 make better decisions as spenders, savers, borrowers, and managers of money. The learning experiences focus on personal finance and money management. The 10 lessons are divided into 4 units focusing on children making spending decisions, saving decisions, borrowing decisions, and money management decisions. Lesson titles include: (1) "Decisions! Decisions! Decisions!"; (2) "To Choose Is to Refuse"; (3) "Vinnie's Pizza Parlor"; (4) "Why Do I Want All This Stuff?"; (5) "The Grasshopper and the Ant"; (6) "Jeff's Big Decision"; (7) "Why? How? Where?"; (8) "Credit Is Based on Trust"; (9) "Buddy Can You Spare a Dime?"; and (10) "The Road to Satisfaction." Contains a 40-item glossary of economics terms. (EH)

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TEACHER RESOURCE MANUAL

Personal Finance Economics 3-5

ED 418 018

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Diana C. Haskell and Douglas A. Haskell

Economics America
National Council on Economic Education

SO 028 429

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TEACHER RESOURCE MANUAL

PERSONAL FINANCE ECONOMICS, 3-5:

$mart $pending and $aving

Diana C. Haskell and Douglas A. Haskell

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The partnership and support of 10 Consumer Credit Counseling Service agencies in the development of the four Teacher Resource Manuals of Personal Finance Economics.

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Consumer Credit Counseling Service

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A partnership of education, business, and labor

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FOREWORD

It is a very great pleasure for me as National Council President to introduce the innovative new teaching materials on economics and personal finance which follow.

This project grew out of a shared recognition on the parts of the Consumer Credit Counseling Service (CCCS) and the National Council on Economic Education (NCEE) families that too many young people make personal finance decisions devoid of the powerful understandings provided by economics. As a result, they find themselves victimized by impulse buying, advertising, the lure of credit, limited time horizons, and a host of other forces that weaken their effectiveness in the marketplace. Economics has great power for enhancing decision making by young people in the practical, real-world situations in which they operate. In harnessing economics to that purpose, these materials enhance the ability of all young people to make personal finance decisions that make their lives better.

The materials were developed by the National Council and funded by ten CCCS agencies*: St. Louis, MO; Dallas, TX; Houston, TX; Richmond, VA; Atlanta, GA; Seattle, WA; Baltimore, MD; Columbus, OH; Pittsburgh, PA; and Fort Worth, TX. We are particularly grateful to Mr. C. Philip Johnston, President of the Consumer Credit Counseling Service of St. Louis, for his extraordinary leadership in mobilizing his colleagues around the country in support of this project. We are indebted also to Diana C. Haskell and Douglas A. Haskell, authors of the materials. Their dedication, insight and creativity will become immediately apparent to users in the classroom. We also acknowledge the work of the Oversight Committee of National Council and Consumer Credit professionals, who provided clear and coherent direction to the project, and services too numerous to mention. Finally, we thank Dr. Robert Highsmith, Project Director, for his leadership in bringing the project successfully to completion.

Robert F. Duvall
President

*Members of the National Foundation for Consumer Credit

INTRODUCTION

Personal Finance Economics is a series of high quality instructional materials that assist all students, kindergarten through grade twelve, in making better decisions as spenders, savers, borrowers, and managers of money. The materials were produced by a partnership of consumer credit and economic education professionals, at the initiation of Stephen Buckles, former President of the National Council on Economic Education (NCEE), and C. Philip Johnston, President of the Consumer Credit Counseling Service (CCCS) of St. Louis.

These materials differ in an important respect from other high quality teaching aids currently available for enhancing personal finance literacy — they employ economics, sometimes called the science of decision making, to demonstrate how children can effectively prioritize the staggering array of choices facing them when making decisions. In so doing, students learn how to make better decisions and, equally important, to avoid poor ones.

Each of the four publications in the series responds to the same question: how can students use economic knowledge to make better decisions in real-world situations in which they participate as spenders, savers, borrowers, and mangers of money? Each publication has two or three lessons on each topic, revealing the power of economic analysis in decision-making situations for students of all ages. The materials were created and field tested by writers and teachers widely recognized for their understanding of children, creative teaching skills, and knowledge of ways to impart economic understanding effectively to young people.

Active learning dominates the materials. Students confront spending, saving, and borrowing choices similar to the ones they face in their daily lives, discover economic concepts that enhance their ability to deal with those choices, participate in classroom activities that use the economic concepts in decision-making situations, and engage in follow-up activities to reinforce their decision-making skills. Most of the lessons prescribe follow-up activities with parents that reinforce at home the skills and understandings learned in the classroom. In brief, students spend their time in these materials solving problems which interest them and learning tools that assist them in making better decisions about issues that matter.

Publications in the **Personal Finance Economics** series are available at the primary (K-2), upper elementary (3-5), middle school (6-8), and high school levels (9-12).

Robert Highsmith
Director

Performance Outcomes

An economically literate population is critical to the well-being of our nation. The results of successfully implementing the lessons contained in this guide will help move students toward these outcomes:

Lesson	Knowledgeable Consumers	Prudent Savers and Investors	Lifelong Decision Makers
1	X		
2	X		X
3	X		X
4	X		X
5	X	X	X
6	X	X	X
7	X	X	X
8	X	X	X
9	X	X	X
10	X	X	X

Planning Chart

LESSON	CONCEPTS	SUMMARY	MATERIALS
Unit 1: Children Make Spending Decisions			
1. Decisions! Decisions! Decisions!	scarcity, wants, consume, consumer, goods and services	Children keep a spending diary and compare it with others.	Activity Sheets 1, 2, and 3, art supplies, poster board or drawing paper
2. To Choose Is to Refuse	wants, scarcity, income, price, opportunity cost, consumer spending decisions	Children make a wish list, prioritize their wants, and decide which wants to satisfy with limited income.	Activity Sheets 4, 5, and 6, small items, calculators
3. Vinnie's Pizza Parlor	marginal analysis, marginal benefits, marginal cost, consumer spending decisions	Children help the teacher order pizza for a party and make marginal benefit and marginal cost decisions.	pizza advertisements, Activity Sheets 7 and 8
4. Why Do I Want All This Stuff	demand, determinants of demand, tastes and preferences, substitutes, complements, advertising	Children analyze how they respond to advertising and how it affects their spending.	Activity Sheet 9, samples of advertisements for products typically purchased by children, markers, videotape of television commercials, art supplies, hangers, yarn, hole punches, heavy paper or index cards
Unit 2: Children Make Saving Decisions			
5. The Grasshopper and the Ant	wants, opportunity cost, trade-offs, money management, saving, short-term and long-term goals	Children read a modern version of a fable and write a new ending.	Activity Sheet 10
6. Jeff's Big Decision	wants, trade-offs, opportunity cost, money management, saving, short-term goals, long-term goals	After reading a play about Jeff's dilemma, children decide what he should do.	Activity Sheets 11 and 12, 11" x 14" drawing paper
7. Why? How? Where?	wants, scarcity, incentives, benefit/cost analysis, opportunity cost, saving, money management, savings goal	Chiklren identify their savings goal, make a saving plan, and evaluate where to save.	drawing paper, art supplies, Activity Sheets 13, 14, 15, and 16

LESSON	CONCEPTS	SUMMARY	MATERIALS
Unit 3: Children Make Borrowing Decisions			
8. Credit Is Based on Trust	income, consumption, benefit/cost analysis, borrowing, credit, creditworthy, borrowing based on trust	Children identify personal qualities that help to earn the trust of others.	Activity Sheet 17
9. Buddy Can You Spare a Dime?	cost, benefit, credit, lending, borrowing	Using various scenarios, children determine the costs and benefits of credit.	Activity Sheets 18 and 19, construction paper (4 different colors)
Unit 4: Children Make Money Management Decisions			
10. The Road to Satisfaction	wants, trade-offs, opportunity cost, money management, budget	Children play a game that illustrates the advantages of using a budget.	Activity Sheets 20, 21, and 22, one die or spinner with 5 or 6 numbers, markers (coins or small objects), cardboard or manila folders

Overview

Children are big spenders. Every day millions of children go to school with millions of dollars in their pockets and purses. They make countless spending decisions to satisfy their wants. In addition to their personal decisions, children also play important roles in many family spending decisions. Practicing consumer decisions in the classroom, aided by economic knowledge, will help children understand the personal benefits of making informed decisions. Children's spending decisions are an important part of the economy. In lesson one, children keep a spending diary, discuss how they are a part of the economy, and discuss their spending decisions.

Preparing to become a life-long consumer means learning to make better choices. Children make spending decisions whether their families are rich or poor. They make spending decisions for which they pay, as well as decisions for which someone else pays. They will have a better sense of their power as consumers when they realize how many important economic decisions they make or influence. Giving children experiences in making economic decisions will prepare them for their future choices.

Because resources are scarce, spending decisions require choices among goals and alternatives. A critical understanding for children is that consumer decisions are important and deserve serious thought. They also need to acknowledge that all spending decisions have opportunity costs, their next best alternatives, and that better choices result when opportunity costs are considered. Our economy offers many choices, and people have so many resources that they often do not believe that scarcity exists. It is difficult for children to understand that they cannot have everything they want. Parents may be reluctant to say "no" when it comes to their children. In a society that has so much, it is important to help children understand that choices have costs. Children can learn to make informed decisions about their economic choices. In lesson two, children make a wish list and use their understanding of opportunity cost to decide how they will make better decisions from among the many things they want.

Spending decisions are not always "all or nothing," but many involve how much to spend or the quantity of something you want to consume. Children can begin to use the skills of marginal analysis to make better spending, saving and borrowing decisions. Many decisions are made at the margin. The decision about whether to consume one more unit is a common dilemma. How much? How many? Is the extra benefit worth the extra cost? In lesson three, children use their understanding of marginal benefit and marginal cost to offer advice about how much pizza to buy.

A critical consumer skill is the ability to sort information to determine the advantages and disadvantages of alternatives. The key to good economic decision making is a clear understanding of the benefits and costs of alternatives. Since people always want to benefit from their decisions, the ability to compare and prioritize alternatives is important. Children who develop the ability to determine the opportunity cost of their choices will feel that they have made better decisions and that they are more in control of their lives. Realizing that they have the power to make decisions based on maximizing their benefits relative to costs and that they do have alternatives are powerful understandings for all children.

Thoughtful consumers understand that incomes and preferences influence their demand for goods and services. When children can identify how the prices of substitute and complementary goods influence their choices, they can use this knowledge to make more reasoned and better choices. A decision to consume is also based on tastes and preferences that may be influenced by advertising. In lesson four, children learn to evaluate two factors that influence their demand for goods and services.

When people decide to save, they make the decision to use today's income to purchase something in the future. One alternative that is always available in spending situations is not to spend. People save for a variety of reasons. To a child, the future is a long way away. Saving money for an important event or purchase is one way of building the understanding that choices are in the present as well as the future. Good saving decisions require an understanding of the costs and benefits of alternatives. In lesson five, children read a fable about saving and offer advice about the advantages and disadvantages of saving. In lesson six, the students act out a play about Jeff's dilemma. They will help him make a big decision about whether to save or spend.

People use a variety of strategies for saving. For young children, the saving decision is not complex, because their goals are simple. As children grow older, their choices become more complicated. Many children put money in a box, drawer, or piggy bank and wait until there is enough to get what they want. Most children think of saving as a short-term process. Building an understanding of saving for long-term goals requires children to make choices between present and future wants. They must understand that saving involves more than just keeping money hidden away. Saving decisions require trade-offs and have opportunity costs. In lesson seven, children establish a savings goal and evaluate the various ways they can save money to reach their goal.

Children must make the connection between setting a goal and saving. When children learn to measure the benefits and costs of saving and how these choices help them to make better consumer decisions, they are able to lengthen their view of future economic choices. One important decision is to choose from among the many alternative methods and places to save. Each alternative has advantages and disadvantages, based on the saver's goals.

Borrowing is a way to spend in the present, using future income. As children grow older and their purchases involve higher prices and more complex decisions, they face even more options. Many children think borrowing is a way to make purchases with "no costs." They learn to use credit at an early age. Since borrowing and lending are based on trust, repayment of these loans can be painful and hard on relationships between borrowers and lenders. Better borrowing decisions result when the future cost of today's choice is considered. In lesson eight, students use their understanding of benefits and costs to determine how trust affects borrowing and lending decisions.

Borrowing and lending decisions have benefits and costs in the present and the future. Children can make better borrowing and lending decisions when they learn to use benefit and cost analysis to examine their alternatives. Classroom experiences can help shape their attitudes about the use of credit and help to establish good habits for future saving and borrowing decisions. Good consumers understand that creditworthiness is determined by a lender's assessment of a prospective borrower's behavior. In lesson nine, students role-play lending situations to decide who is creditworthy and how people decide to borrow or lend.

From the lunch line to the grocery store, people transact millions of loans every day. How can children learn to make better decisions about using scarce resources in these situations? By practicing these decisions and choosing among alternatives, children can learn to use information wisely to become better lenders and borrowers as adults.

A budget is a plan for managing income and spending. Budgeting requires trade-offs among goals. Good consumers learn to manage their money to accomplish their financial goals. Students can learn the benefits of budgeting and thoughtful money management as they practice spending, saving, and borrowing decisions. In lesson ten, students play a board game involving money management decisions. Through the game, they determine which behaviors will help them become better money managers.

Through lessons like these, students will develop skills that will help them make better spending, saving, and borrowing decisions. These experiences will teach them the importance of money management. **Money management skills are a critical part of life-long consumer success.**

LESSON 1

Decisions! Decisions! Decisions!

1. FOCUS

Student Objectives

- Describe how spending to consume goods or services satisfies wants.
- Identify the frequency and types of consumer spending decisions that children make.
- Compare and contrast individual with group or family consumer spending decisions.
- Generalize ways that consumer spending decisions are similar and/or different.
- Use an understanding of scarcity to make better decisions about spending.

Background

Children make many consumer spending decisions every day. Some experts suggest that children between the ages of four and twelve spend over $1.2 billion of their money every year. They make personal spending decisions, such as what to have for lunch or which candy bar to purchase. They also take part in group or family spending decisions, such as which breakfast cereals to buy, where to go for a weekend, or whether to adopt a pet. They make some decisions that involve spending their money and some spending choices for which others pay.

Children can learn to make careful decisions. Because they cannot have everything they want, they face scarcity. Scarcity means that there are not enough resources and, therefore, not enough goods and services to satisfy all wants. Choices must be made. Classroom activities that involve students in choosing among alternatives can help them better understand the choices they must make as consumers.

This lesson focuses on consumer spending decisions that students make and the different roles they assume in making those decisions. The activities establish a rationale for studying personal finance decision making.

Concepts

Scarcity, wants, consume, consumer, goods and services

Preview

- ***Children purchase goods and services that satisfy wants.***
- ***Children are big spenders.***
- ***Children influence family and group spending decisions.***

2. PREPARE

This lesson will require two sessions to complete. After the short introductory session, allow time for the students to keep a spending diary prior to teaching the activities session.

Activity Sheet 1: *My Spending Diary*	Activity Sheet 3: *Yours, Mine, and Ours*
Activity Sheet 2: *Decisions! Decisions! Decisions!*	Art supplies
	Poster board or drawing paper

1. Make a copy of Activity Sheets 1 and 2 for each student.
2. Make a transparency of Activity Sheet 1.
3. Make a copy of Activity Sheet 3 for each pair of students.
4. Prepare a display of a variety of consumer goods, such as a can of soup, toy, ticket from a dry cleaner, movie ticket stub, newspaper, automobile, or piece of clothing. Pictures or representations of people providing services may be used.

3. TEACH

Introduction

goods — objects that satisfy people's wants

services — activities that satisfy people's wants

consume — to use a good or service to satisfy a want

1. Display the goods or services (or pictures). Discuss:
   a. What do these things have in common? (They are things that people buy. They are goods and services.)
   b. What is a want? (a desire to have a good or service)
   c. Why do people purchase goods and services? (to satisfy wants)
   d. What does it mean to consume something? (to use a good or service to satisfy a want)
2. Use the items or pictures displayed to illustrate how consuming a good or service can satisfy a want. For example, hold up a can of soup or other good. Ask the students what it might satisfy. (People might want soup because they are hungry or because it tastes good.) Continue with other examples.

Scarcity is the condition that exists when wants exceed the resources available to satisfy those wants. People's incomes are limited by the resources they have to sell in the resource market. People who have a lot of valuable resources are able to satisfy more wants because they earn more income.

3. Ask students if they can have all of the goods and services they want. (No.) Explain that when people can't have everything they want, they have the economic problem of scarcity.
4. Discuss:
   a. When you can't have all of the goods and services you want, what must you do? (make choices)

b. What choices have you made because you can't have everything you want? (Answers will vary.)

5. Explain that when people make choices about which goods and services to buy, they are making consumer spending decisions.
6. Ask students for examples of goods and services they purchase in a day, a week, or a year.
7. Distribute a copy of Activity Sheet 1 to each student. Explain that they should use this sheet to keep a diary of their spending decisions over several days.
8. Display a transparency of Activity Sheet 1. Use an example to demonstrate how students should complete an entry. For example:

Date	Item	Price	Number Purchased	Total Spent
8/9	granola bar	$ .50	2	$1.00

9. Establish a due date for completed diaries.

Activities

1. Allow time for students to share some items from their spending diaries.
2. Explain that it is important to think about the consumer spending decisions people make. Some things to consider include how often people make different purchases, who makes the spending decisions, and who pays for the purchases.
3. Distribute a copy of Activity Sheet 2 to each student. Explain that this table is a guide to help students think about the purchases they recorded in their consumer spending diaries.
4. Read the directions aloud, and explain the following:
   a. In column 1, the students should list the items purchased.
   b. To complete columns 2, 3, and 4, students must decide whether the purchase is made often, such as lunch at school; made occasionally, such as a new video game; or made rarely, such as a new backpack. Allow students time to discuss and define "often," "occasionally," and "rarely."
   c. If they made the decision to purchase the item on their own, they should mark column 5. If they made the decision as a member of a group or family, they should mark column 6.
   d. If they paid for the item with their money, they should mark column 7. If someone else paid for the item, they should mark column 8.
5. Allow time for students to complete the activity in class.

6. Discuss:

   a. What things do you consider when deciding to spend your money? (how much the item costs, how much money is available, other things that may be purchased for the same amount, the amount of satisfaction received)

   b. Do you consider the same things when you are spending someone else's money? (Answers will vary.)

7. Explain that people tend to be more careful about consumer spending when they are using their own money. Discuss:

   a. Is it easier to make a decision about things that you buy often, such as lunch at school, or things that you buy rarely, such as a new coat? (Decisions that are more common may be easier to make. They may require less thought because they involve less expensive items.)

   b. What are some things you consider when an item is purchased often, occasionally, or rarely? (cost of the item, who is paying for the item, similar items that might be purchased, quality)

8. Explain that people tend to be more careful about consumer spending decisions that are made rarely because these items may be more expensive and people must give up more to get the item.

9. Divide the students into pairs. Distribute a copy of Activity Sheet 3 to each pair.

Emphasize that the common spending decisions include those that both students made — not joint decisions that the students made together. For example, if both students decided to purchase lunch at school, it is a common decision.

10. Explain that students will compare their consumer spending decisions using their spending diaries and a Venn diagram. Each student should write his or her name in one of the two spaces labeled "Consumer." Then, each student should list his or her spending decisions in the corresponding "My Decisions" circle. Decisions that both students have in common should be listed in the intersection entitled, "Our Common Decisions."

11. Allow time for students to complete their work. Discuss:

    a. What spending choices did you make that were different from those of your partner? (Answers will vary.)

    b. Why did you make different choices? (different tastes, different amounts of money to spend, different hobbies)

    c. What are some examples of spending decisions you and your partner have in common? (Answers will vary.)

    d. What are some consumer spending decisions that are common to everyone in the class? (Answers will vary.)

    e. Why did you have common choices? (similar tastes for food, toys, movies, music, books, and clothes)

12. **Closure.** Review the preview statements of this lesson, emphasizing that these are the "big" ideas students should remember.

a. Children purchase goods and services to satisfy wants.

b. Children are big spenders.

c. Children influence family and group spending decisions.

13. Explain that students will write and illustrate a book about their consumer spending decisions by completing the following sentences:

    Because of scarcity, a consumer spending decision I had to make was ....

    I made a better decision because I thought about ....

    If I had to make this decision again, I would also think about ....

Students may produce a "pop-up" book by completing these sentences.

14. (Optional) Divide students into small groups. Distribute art supplies and poster board or drawing paper to each group. Instruct each group to develop a poster illustrating the following:

    a. Children purchase goods and services to satisfy wants.

    b. Children must make decisions because of scarcity.

    c. Children make some consumer spending decisions often, occasionally, and rarely.

    d. Children influence family and group consumer spending decisions.

4. CONNECT

Family Connection: Ask parents or guardians to help children complete their spending diaries. Encourage parents to invite their children to participate in a shopping trip and other consumer activities.

Parents or guardians may review their children's diaries and ask children how they feel about being involved in consumer decisions. This is a good time for parents to talk with their children about scarcity, choices, and how the family makes spending decisions. A practical guide for parents to help children develop good spending and saving habits is *Money Doesn't Grow on Trees* by Neale S. Godfrey and Carolina Edwards (New York: Simon & Schuster, 1994). It contains sections on spending, saving, and budgeting.

Art Connection: Students may draw pictures of a consumer spending situation or pictures comparing families making consumer decisions.

Language Arts and/or Mathematics Connection: Each student may interview other students about their consumer decisions. Construct a classroom pictograph that represents how each person from the interview responded to the questions. Sample questions may include:

Have you helped your family decide what breakfast cereal to buy?

Have you helped your family decide whether to buy cable television?

Have you helped your family decide what compact discs to buy?

Have you decided what clothes you will buy?
Have you decided what games or toys to buy?
Have you helped your family decide what car to buy?
Have you helped your family decide what soft drinks to buy?

Mathematics Connection: Students may use a bar graph to illustrate the spending recorded in their diaries. The graph may illustrate spending per day; purchases made often, occasionally, or rarely; or individual vs. family decisions.

Children's Literature:

- Adams, Barbara Johnston. *The Go-Around Dollar*. New York: Four Winds Press, 1992. Matt and Eric find a dollar bill on their way home from school. The story follows the dollar as it is used for many transactions throughout the day.
- Mayer, Mercer. *Just Shopping With Mom*. Racine, WI: Western Publishing Company, 1989. Mom takes the children to the grocery store, and they want everything. There are great differences between what Mom wants and what the children want. Everyone must make choices. Primary level.
- Schwartz, David. *If You Made A Million*. New York: Scholastic, 1989. This book introduces earning income, consuming, and saving money. What are all of the choices someone might make with a million dollars?
- Viorst, Judith. *Alexander, Who Used to Be Rich Last Sunday*. New York: Macmillan Publishing, 1978. Alexander explores the consequences of his spending decisions. For Alexander, spending becomes too easy when he doesn't think about how he makes choices.
- Williams, Vera. *Something Special For Me*. New York: Greenwillow Books, 1983. The money jar that Mama, Grandma, and Rosa filled with coins will be emptied to buy Rosa whatever she wants for her birthday. Rosa understands scarcity and uses opportunity cost to make her decisions as she selects her own birthday present.

ACTIVITY SHEET 1

My Spending Diary

Date	Item	Price	Number Purchased	Total Spent

ACTIVITY SHEET 2

Decisions! Decisions! Decisions!

Spending? Write the names of the items listed on your spending diary in column 1.

How often? Put an X in column 2 if this decision is made often.
Put an X in column 3 if this decision is made occasionally.
Put an X in column 4 if this decision is made rarely.

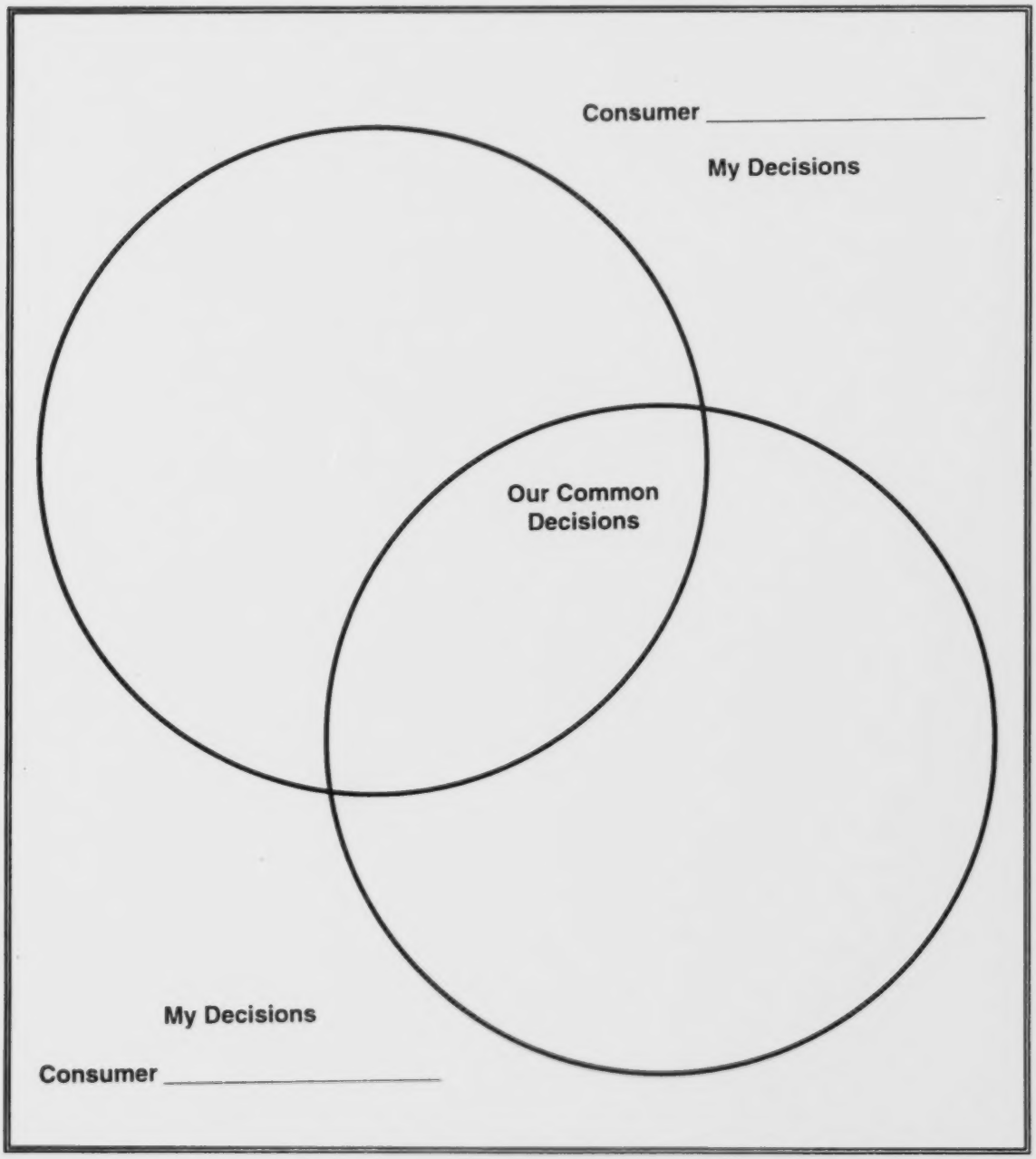
Who decided? Put an X in column 5 if you made the decision.
Put an X in column 6 if someone else or a group made the decision.

Who paid? Put an X in column 7 if you paid the price.
Put an X in column 8 if someone else paid the price.

Good or Service Purchased	How Often?			Who Decided?		Who Paid?	
	Often	Occasionally	Rarely	Individual	Group/ Family	Individual	Group/ Family
1	2	3	4	5	6	7	8

ACTIVITY SHEET 3

Yours, Mine, and Ours



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LESSON 2

To Choose Is to Refuse

1. FOCUS

Student Objectives

- Determine the opportunity cost of a spending decision.
- Illustrate how limited resources cause people to make choices among their wants.
- Use opportunity cost to make more thoughtful choices among alternatives.

Background

Good spending decisions require a clear understanding of alternatives. Children must learn to make choices among alternatives to use their income or resources wisely. Because people always face the condition of scarcity, income must be used carefully to satisfy the most desired or the largest number of wants.

It is also important to remember that *when people choose, they also refuse*. The opportunity cost of a decision is the best alternative forgone in making the decision. The ability to prioritize wants, a critical consumer skill, is made meaningful by understanding opportunity cost. This lesson uses opportunity cost to analyze which wants students will choose to satisfy with their limited income. Practicing decision making helps to build consumer skills and develop an understanding of the importance of good decision making.

Concepts

Wants, scarcity, income, price, opportunity cost, consumer spending decisions

Preview

- ***Spending is buying goods and services to satisfy wants.***
- ***Spending decisions have opportunity costs.***
- ***Income influences spending decisions.***

2. PREPARE

Activity 4: *My Wish List*	Calculators (optional)
Activity 5: *When I Choose, I Refuse*	Small items (stickers, candy, bookmarks, pencils, pens) enough for each student to choose one item
Activity 6: *Decisions Have Opportunity Costs*	

1. Make a copy of Activity Sheets 4, 5, and 6 for each student.

3. TEACH

Introduction

1. Ask students for examples of things they want. List these on the board. Discuss why they want these things. (satisfy hunger, provide entertainment, improve appearance, provide information, provide transportation)
2. Explain that people have unlimited wants. A **want** is a desire that can be satisfied by consuming a good or service.

Activities

1. Explain that people want many goods and services. There are things, however, that people put on their "wish lists." This is a list of the items people would like to have but may not be able to afford immediately.
2. Tell students they are going to develop a wish list. Distribute a copy of Activity Sheet 4 to each student.
3. Instruct students to list the goods and services they want to buy. Encourage them to list the things they would buy if they could have everything they wanted.

Students may get carried away listing items. Limit their time on this activity to meet your classroom needs.

4. As students complete their lists, encourage them to think of even more wants. Guide them to recognize that people have unlimited wants.
5. Ask students to record estimated prices next to the items that they have listed. If they don't know, suggest approximate prices.
6. Instruct students to calculate the total amount of their spending.
7. Tell students to divide the total amount of spending by two. Explain that this amount represents their income.

If appropriate, this is an opportunity to explain that people's incomes are limited by the productive resources they possess.

8. Explain that **income** is payment received by people for selling or renting their productive resources. The more income people earn, the greater their ability to purchase goods and services.

9. Discuss:
    a. Given your income, can you purchase everything on your list? (no)
    b. Since you can't purchase everything on your list, what will you have to do? (make choices)
10. Distribute a copy of Activity 5 to each student. Tell students to copy the items from their wish lists in priority order. Tell them to list first the item they want most, then list the item they want second, and so on.
11. Explain that they should list the price next to the item and calculate a total as they proceed. They should continue listing items until the total reaches, but does not exceed, their income.
12. Write the phrase "Each time you choose, you also refuse" on the board. Explain that this phrase can help them identify the opportunity cost of their decisions.
13. Explain that when people make choices, they give up the highest valued alternative. This is their **opportunity cost**.
14. Explain that in making choices among the alternatives on their wish lists, students incur an opportunity cost. They give up the items that they would have purchased with the same income.
15. Tell each student to consider carefully his or her opportunity cost.
16. Ask students if they would change the order of the items on their lists after considering their opportunity cost. (Answers will vary.)
17. Point out that identifying opportunity costs can help them make better decisions.
18. Distribute a copy of Activity Sheet 6 to each student, and tell them to read the instructions. Answer any questions about the instructions, and allow time for students to complete the worksheet.
19. Discuss:
    a. What was the recent spending decision you listed? (Answers will vary.)
    b. What was the opportunity cost of your decision? (Answers will vary.)
    c. Now that you know what your opportunity cost was, do you think you made a wise decision? (Answers will vary.)
20. **Closure.** Review the preview statements for the lesson, emphasizing that these are the big ideas students should have learned from the activities.
    a. Spending is buying goods and services to satisfy wants.
    b. Spending decisions have opportunity costs.

Opportunity cost is the highest valued foregone alternative when another option is chosen.

There might be other "costs" of a decision not illustrated in this example. Limit this discussion to opportunity cost.

Often, the opportunity cost of a decision can be equated with an item that could be purchased for the same price.

c. Income influences spending decisions.

21. Offer students a choice between two items (stickers and candy, pen and pencil). As students make their choices, they should identify the opportunity cost of their decisions. Allow time for each student to make a choice.

22. Review the following:

    a. Why do people buy goods and services? (to satisfy their wants)

    b. How does income influence people's spending decisions? (The more income people have, the more goods and services they can afford to buy; the less income people have, the fewer goods and services they can afford.)

    c. Why is it important to consider the opportunity cost of your decision? (Recognizing the cost of a decision will help a person make better choices.)

    d. What is opportunity cost? (the highest valued alternative that is given up when another option is chosen)

4. CONNECT

Family Connection: Inform families that the class is studying the opportunity cost of spending decisions. Students may ask parents or guardians to tell them about how they make spending decisions. Students may explain the concept of opportunity cost and its power to help people make better decisions by identifying what was given up when a spending decision was made. Families may assess recent decisions by identifying the alternatives and the opportunity costs of those decisions.

Parents may use the following resources to help children learn about spending decisions:

- Berry, Joy Wilt. *What to Do When Your Mom or Dad Says . . . We Can't Afford It!* Chicago: Children Press, 1983. Helpful advice for children about family financial decisions.
- Berry, Joy Wilt. *Every Kids Guide to Intelligent Spending*. Chicago: Children's Press, 1988. Helpful advice for children about spending decisions.
- Kale, Kathy S. *The Kids' Complete Guide to Money*. New York: Knopf, 1984. Practical ideas about how to earn, spend, save, borrow, and budget money. Many ideas about how to satisfy wants using few resources.

Language Arts/Social Studies Connection: Copy a map of the local zoo, theme park, or recreation area. Students may plan a trip to the site and determine which attractions they will visit. They should identify the opportunity cost of visiting the attractions and ask themselves if they are making the best choices, considering what they must give up for each chosen attraction. Tell students to make a chart or write a brief

paragraph about the attractions visited and the opportunity costs of the selected attractions.

Children's Literature:

- Blaine, Marge. *The Terrible Thing That Happened at Our House*. New York: Scholastic, 1975. Mom returns to teaching and the family must make many decisions that have benefits and costs.
- Brittain, Bill. *All the Money in the World*. New York: Harper Trophy, 1992. Quentin wishes for all the money in the world. He thinks that all of his wants will be satisfied. Little does he realize the problems that his wish has created.
- Kunhardt, Edith. *Which One Would You Choose?* New York: Greenwillow Books, 1989. Follow Maggie and Will through a day making choices. The reader participates by making a choice among four alternatives.
- Silverstein, Shel. "Lester," *Where the Sidewalk Ends: Poems and Drawings*. New York: Harper Collins, 1974. Lester learns that when you choose a wish you also refuse or give up something.
- Voight, Cynthia. *Dicey's Song*. New York: Antheneum, 1982. Dicey's mother has died. Her grandmother gives Dicey $100 to spend on Christmas gifts. Dicey finds that choices are difficult.
- Ziefert, Harriet. *A New Coat for Anna*. New York: Knopf, 1986. Anna wants a new coat, but her mother has no money to purchase one. How will she get the things she wants?

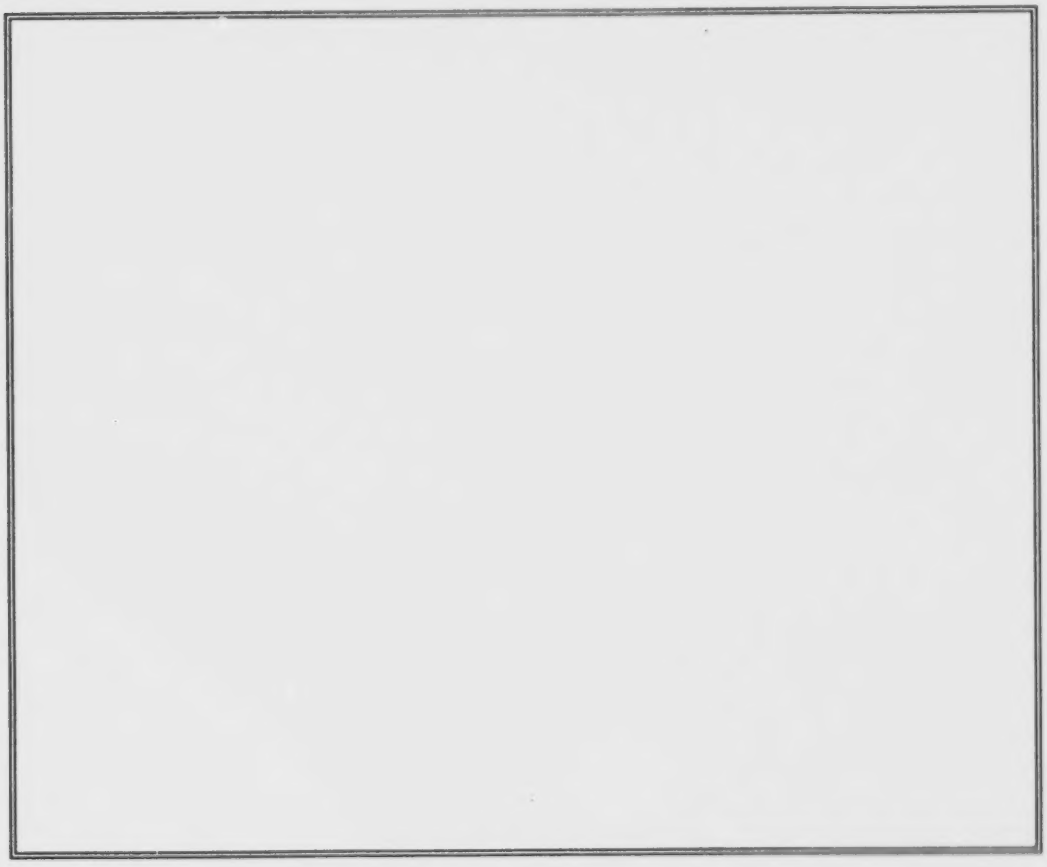
Video Resource:

- *Buyer Be Wise*. Disney Educational Productions. 8 minutes. Grades K-8. Disney characters help children understand important consumer spending and saving decisions.

ACTIVITY SHEET 4

My Wish List

1. In this space, list all of the goods and services you would like to have to satisfy your wants.



2. Total spending for my wish list would be $ _____

3. One half of my total spending is $ _____

ACTIVITY SHEET 5

When I Choose, I Also Refuse

I have $ _____ to spend (from line 3, Activity 4)

Goods and Services I Want	Item Price	Total Price

Remember! Be careful not to spend more money than you have.

ACTIVITY SHEET 6

Decisions Have Opportunity Costs

In the top, left square, write the name of a good or service from Activity 5 that you would like to purchase. In the top, right square, write the opportunity cost of that decision — your highest valued alternative.

In the bottom, left square, write the name of a good or service that you have recently purchased. In the bottom, right square, write the opportunity cost of that decision — your highest valued alternative.

Good or service from my list on Activity 5	My opportunity cost
A recent spending decision was	My opportunity cost was

LESSON 3

Vinnie's Pizza Parlor

1. FOCUS

Student Objectives

- Compare the benefits and costs of a consumer spending decision.
- Analyze the marginal (additional) benefits and marginal (additional) costs of a consumer spending decision.
- Use marginal analysis to evaluate spending choices and make better spending decisions.

Background

Children, like all consumers, want to make good decisions. Children often confront choices in which they decide how much to buy, or among products. In making these decisions, children must compare the additional benefits they receive to the additional costs.

This lesson presents an activity in which students compare marginal (additional) benefits and marginal (additional) costs. While making a decision about purchasing pizza, students consider the marginal benefit of one more topping, or a larger size, to the marginal cost. Considering marginal costs and benefits will help students make better decisions. For example, the marginal cost of an extra-large pizza may be small, but if a person isn't very hungry, the marginal benefit may be smaller.

Concepts

Marginal analysis, marginal benefit, marginal cost, consumer spending decisions

Preview

- ***Spending decisions are not always "all or nothing," but also involve how much to spend or the quantity of something you want to consume.***
- ***Many spending decisions include consideration of the difference between the benefits and the costs of two alternatives.***

2. PREPARE

Pizza advertisements
Activity Sheet 7: *Vinnie's Pizza Parlor Menu*
Activity Sheet 8: *Vinnie's Pizza Choices*

1. Collect or have students bring several advertisements for pizza restaurants. The ads should include information about different sizes, varieties, and price options.
2. Make a copy or transparency of a few pizza advertisements.
3. Make a copy of Activity Sheet 7 for each student, or make a transparency.
4. Make a copy of Activity Sheet 8 for each group of four students.

3. TEACH

Introduction

1. Discuss the following:
   a. What are your favorite pizza toppings?
   b. What is your favorite pizza restaurant?
   c. Which do you like better — thick or thin crust?
   d. Have you tried "cheese-stuffed crust?"
2. Explain that you have an important decision to make. You want to host a pizza party at your home for yourself and six friends. Although you want to have enough pizza, you don't want to have too much pizza left over. You don't want to spend more money on pizza than necessary. You really want to make a good consumer spending decision, and you would like the students' help.

Activities

1. Display pizza ads that offer several sizes, varieties, and options.
2. Ask students to identify the various decisions involved in making a pizza purchase. List these decisions on the board. (size, number of toppings, extra/free items, delivery, price, thin or thick crust, quality)
3. Tell students that your favorite pizza restaurant is Vinnie's Pizza Parlor.
4. Distribute a copy of Activity Sheet 7 to each student, or display a transparency.

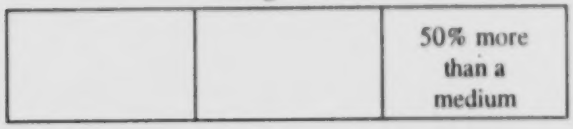
5. Tell students that they will make a decision about the pizza order. Explain that their decisions will be based on the difference between the additional costs and additional benefits of the alternatives.

6. Point out the various prices and sizes. Clarify that a medium pizza is two-thirds the size of a large and a monster pizza is the same size as two large pizzas.

7. Using the diagrams below, ask the following questions:

Medium Pizza

Large Pizza



   a. What is the advantage or benefit of ordering a large pizza rather than a medium pizza? (an additional one-half of a medium pizza or 50% more)

   b. What is the difference in the price of a medium and a large pizza? ($3.00)

8. Explain that economists use the word marginal as another word for extra or additional. So, the additional benefit received from ordering the large pizza is the marginal benefit. In this case, the marginal benefit is one-half of a medium pizza. The additional cost of the large pizza is the marginal cost. In this case, the marginal cost is $3.00.

Marginal benefit is the additional benefit received from an additional unit of a good or service. Marginal cost is the additional cost of an additional unit of a good or service.

9. Point out that in making the decision, consumers must compare the marginal benefit (50% more pizza) to the marginal cost ($3.00). If the marginal benefit is greater than the marginal cost for the consumer, then the choice is a good one.

10. Ask each student to decide what he or she would do. Explain that each student may value the extra pizza differently and make different decisions.

11. Divide the class into groups of four. Explain that each group will order pizza for the party. They must make choices among the alternatives listed.

When consumers consider whether to buy one unit more or one unit less of a good or service in an effort to obtain the mix of goods and services that will provide them with the greatest satisfaction for their available buying power, they are using marginal analysis.

12. Review the options on the menu comparing the sizes, toppings, and prices. Remind students that they must purchase enough pizza to feed seven people and try not to have very much pizza left over.

13. Explain that each group should discuss how to compare the marginal benefits and marginal costs of the various pizza choices. After

making a decision, each group should prepare a pizza purchase recommendation to the teacher. The group's recommendation should include a statement of the marginal benefit and marginal cost of its choice.

14. Allow time for each group to make and share its decision with the class. As groups report their decisions, reinforce the analysis of marginal benefit and marginal cost. Explain that the value given to the marginal benefit depends on each group's preferences.

15. Distribute a copy of Activity Sheet 8 to each group. Read and complete the examples on the sheet as a class.

16. Instruct each group to write three additional "If . . . then . . . . " statements using different pizza choices from the menu. The statements should be similar to the examples, illustrating marginal benefits and marginal costs.

17. **Closure.** Review the preview statement for the lesson, emphasizing that these are the big ideas that they should have learned from the activities.

    a. Spending decisions are not always "all or nothing," but also involve how much to spend or the quantity of something you want to consume.

    b. Many spending decisions include consideration of the difference between the costs and the benefits of two alternatives.

18. Ask students for examples of other decisions they have made that involved comparing marginal costs and benefits. Examples might include:

    a. Should I order a 12-ounce soft drink for 70 cents or a 16-ounce for 89 cents?

    b. Should I "super-size" my fast food order for $1?

    c. Do I want one more topping on my frozen yogurt for 25 cents more?

    d. The 19-inch TV is $179, but the 21-inch screen is $35 more.

    e. For just $50, I can make my video game system more powerful.

    f. Levi's are $34.99. The generic jeans are $19.99.

    g. Tickets to the concert for the front row are $75. The balcony seats are only $25.

    h. If I study three more hours, I'll probably be able to raise my grade from a C+ to a B.

    i. If I use the snooze alarm for ten more minutes of sleep, then I must get dressed faster.

19. Divide the students into pairs. Ask each pair to select one of its decisions or one of the above sample decisions and develop a story or skit about the decision. Their story or skit should emphasize that

decisions often involve consideration of the marginal benefits and costs of alternatives.

20. Allow time for students to share their stories or act out their skits.

4. CONNECT

Family Connection: A family trip to the grocery store may help students learn ways to compare purchasing choices. Many stores provide information for comparisons, such as price per ounce or some other unit. Children may compare the marginal benefits and marginal costs to determine the "best buy."

Families may want to subscribe to *Zillions* (Consumers Union, Yonkers, New York), a bimonthly magazine for children, similar to *Consumers Report*. Articles evaluate products and include activities for children to practice consumer decision making.

Language Arts Connection: Students may write about a marginal benefit and cost decision that they have made in the past or might make in the future.

Mathematics Connection: Students may calculate the cost per slice and/or sizes of the slices for different pizza sizes. Comparing the sizes of the pizzas may involve dividing into some number of slices or measuring the circumference, diameter, or area.

Students may visit the grocery store to compare the prices of different sizes of the same product. They may report on the marginal cost of purchasing the next larger size. If a 16 oz. box of cereal is priced at $1.75 and the 24 oz. box is $2.75, the marginal cost is $1.00. The marginal benefit is 8 oz. or 50% more cereal.

Children's Literature:

- Barbour, Karen. *Little Nino's Pizzeria*. New York: Harcourt Brace Jovanovich, 1987. This book looks at the restaurant business and making business decisions.
- Khalsa, Dayal Kaur. *How Pizza Came to Queens*. New York: Crown Books, 1989. Mrs. Pellegrino comes to New York from Italy, bringing a mysteriously shaped package. What a delicious surprise awaits young May and her friends.
- Martino, Teresa. *Pizza!*. Milwaukee, WI: Raintree, 1989. From the Real Readers Series, the story of pizza.
- Pillar, Marjorie. *Pizza Man*. New York: T.Y. Cromwell, 1990. Black and white photographs highlight the steps in making a pizza, from the moment the pizza man starts making the dough until he serves it to a hungry customer.
- Ray, Mary Lyn. *Pumpkins*. New York: Harcourt Brace Jovanovich, 1992. When a field is put up for sale across from his house, a man goes to extraordinary lengths to purchase the field.

ACTIVITY SHEET 7

Vinnie's Pizza Parlor Menu

VINNIE'S PIZZA PARLOR

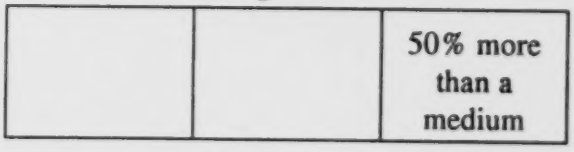
Chef Vinnie Condeni, Proprietor

1 medium with 1 topping	$6.00	extra toppings	$1.00 ea
2 mediums with 1 topping	$10.00	extra toppings	$1.00 ea
3 mediums with 1 topping	$13.00	extra toppings	$1.00 ea
1 large with 1 topping	$9 .00	extra toppings	$1.50 ea
2 large with 1 topping	$13.00	extra toppings	$1.50 ea
3 large with 1 topping	$16.00	extra toppings	$1.50 ea
1 monster with 1 topping	$13.00	extra toppings	$3.50 ea

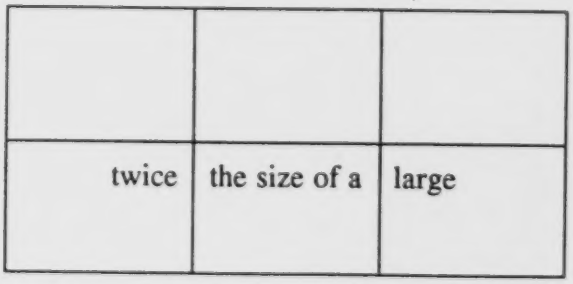
Pizza sizes: 3 medium = 2 large = 1 monster

Medium Pizza

Large Pizza



Monster Pizza



ACTIVITY SHEET 8

Vinnie's Pizza Choices

Use information from the Vinnie's Pizza Parlor menu to complete problems 1 through 3. Determine the marginal differences.

1. We may order one medium pizza with one topping for $ _____ .

   If we order two medium pizzas, then the marginal cost is $ _____.

   and the marginal benefit is _____ .

2. We may order one large pizza with one topping for $ _____ .

   If we add two more toppings, then the marginal cost is $ _____ .

   and the marginal benefit is _____ .

3. We may order two large pizzas with two toppings for $ _____.

   If we order one monster pizza with two toppings, then the

   marginal cost is $ _____ and the marginal benefit is _____ .

Write three more "If. . . then. . . ." statements about pizza choices from Vinnie's Pizza Parlor Menu.

4.

5.

6.

ACTIVITY 8

Vinnie's Pizza Choices (Answers)

Use information from the Vinnie's Pizza Parlor menu to complete problems 1 through 3. Determine the marginal differences.

1. We may order one medium pizza with one topping for $ 6.00.

   If we order two medium pizzas, then the marginal cost is $ 4.00 .

   and the marginal benefit is one additional medium pizza .

2. We may order one large pizza with one topping for $ 9.00.

   If we add two more toppings, then the marginal cost is $ 3.00.

   and the marginal benefit is two additional toppings.

3. We may order two large pizzas with two toppings for $ 16.00.

   If we order one monster pizza with two toppings, then the

   marginal cost is $ .50 and the marginal benefit is zero. Two large pizzas equal one monster. Each has two toppings..

Write three more "If. . .then. . . ." statements about pizza choices from Vinnie's Pizza Parlor Menu.

4.

5.

6.

LESSON 4

Why Do I Want All This Stuff?

1. FOCUS

Student Objectives

- Identify two factors that determine consumer demand.
- Identify substitutes and complements for selected goods and services.
- Distinguish between fact and opinion in advertisements.
- Use economic reasoning to better understand the factors that influence consumer demand and spending decisions.

Background

Successful companies know who buys their products, why, and what kind of advertising influences consumers. Advertisers spent over $150 billion dollars in 1992 to influence the spending decisions of consumers. A quick look at any television program or periodical will reveal the many ways that advertisements are used to influence demand and spending decisions.

Children are big spenders. By examining advertisements, students will find information, distinguish between fact and opinion, and better understand their own responses to advertising. Using economic reasoning to evaluate these claims and to compare facts will enhance decision making.

Since income is always limited relative to wants, people must make choices. Consumers must choose from among alternatives to achieve the greatest level of satisfaction with their limited income. Understanding the factors that influence their demand, such as taste and preference, availability of substitutes, and the costs of complementary goods, will contribute to better decision making. Practicing better decision making in the classroom better prepares students to make choices as consumers.

Concepts

Demand, determinants of demand, tastes and preferences, substitutes, complements, advertising

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Preview

- ***Producers and advertisers use a variety of methods to try to influence consumer tastes and preferences, and through that, demand.***
- ***Tastes and preferences and the price of substitute and complementary products influence demand for goods and services.***
- ***Distinguishing fact from opinion in advertising enhances consumer decision making.***
- ***People respond to advertising in various ways.***
- ***Consumers make better choices when they understand and consider the factors that influence their demand for goods and services.***

2. PREPARE

Activity Sheet 9: *Familiar Symbols*
Samples of advertisements for products typically purchased by children
Markers (two colors for every student)
Optional: videotape of television commercials
Art supplies, hangers, yarn, heavy paper or index cards, hole punch

1. Ask students to bring magazines or newspapers from home that contain advertising. An option is to videotape commercials from children's television programs.
2. Assemble a display of print advertisements for familiar products or edit a selection of television commercials illustrating a variety of advertising appeals.

   Examples:

brand name familiarity or slogans	"Just Do It."
celebrity endorsement	"If you buy ___ you will be like me."
authority endorsement	"99% of doctors recommend ___"
bandwagon/status appeal	"All the 'cool' people wear ___"
quality claims or comparisons	"We are better than ___"
informative	"Now available at your local store."

3. Make an overhead transparency of Activity Sheet 9.

3. TEACH

Introduction

1. Display a transparency of Activity 9 and discuss:
   a. What products do you associate with each symbol? (Converse shoes, Chevrolet automobiles, McDonalds Restaurants, Nike Shoes and Products, Domino's Pizza, Levi Strauss Clothing, Walt Disney/Mickey Mouse, Apple Computers)
   b. Why do these symbols remind you of specific products or companies? (see them on television or in newspapers and magazines, see them in stores)
   c. What do you remember about the product or company? (Answers will vary.)
2. Explain that companies use ads to provide information for consumers to influence consumer behavior. They want consumers to remember, and hopefully prefer, their product. Logos are a common advertising tool. Discuss:
   a. What other logos, symbols, or slogans do you remember? (Answers will vary.)
   b. Why do you remember them? (Answers will vary.)
   c. How do these advertisements or logos influence people's choices? (Being familiar with a brand name might encourage people to buy that brand.)

Activities

1. Explain that advertisers are interested in increasing the demand for their products. Two factors that influence the demand for a good or service are consumer tastes and preferences and the prices of substitute and complementary products.
2. Explain that consumer tastes and preferences involve things other than price, such as quality, color, design, flavor, size, and individual values. An advertiser tries to change consumer tastes and preferences in favor of his or her product to maintain or increase the demand for the product. Discuss:
   a. Name a product that is advertised by a celebrity. (Nike shoes, Converse shoes, Gatorade, milk, soft drinks)
   b. Why do companies use celebrities in ads? (They think that celebrity ads will influence consumer tastes and preferences for the product, and, therefore, increase consumer demand for the product.)

Demand is the quantities of a product that consumers are willing and able to buy at all possible prices during a specific time period. Non-price determinants of demand are the factors that influence the demand for goods, services, or resources.

c. Name a product that is endorsed by an authority, such as a doctor, the American Dental Association, a teacher, a police officer, and so on. (soap, toothpaste, pain relievers, teaching aids such as Hooked on Phonics or Sylvan Learning Centers, car and home alarm systems)

d. Why do companies use authorities in ads? (They think that an endorsement by an authority will influence consumer tastes and preferences for the product, and, therefore, increase consumer demand for the product.)

e. Name a product advertisement that focuses on a claim that "everyone else" consumes the product. (Levi jeans, Guess, video game systems, various toys)

f. Why do companies advertise in this way? (They think that the ad will influence consumer tastes and preferences — consumers will want what everyone else has, and the demand for the product will increase.)

g. Name a product advertisement that compares the quality of similar products. (cars, pain relievers, other over-the-counter medications, macaroni and cheese)

h. Why do companies advertise in this way? (If consumers think the quality of one product is higher than another, they will substitute one product for another, and the demand for the high-quality product will increase.)

3. Explain that complements are products that are used or consumed in combination with one another, such as hamburgers and hamburger buns, peanut butter and jelly, and loose leaf paper and 3-ring binders. Substitutes are products that can replace one another, such as apple juice and orange juice, butter and margarine, and pencils and mechanical pencils.

4. Divide the class into pairs. Explain that they are going to play "Complement and Substitute Jeopardy." You will read pairs of items. Each pair of students must decide whether the items are complements or substitutes. Then, they must respond with the question "What are complements?" or "What are substitutes?"

5. Read the following:

   a. shampoo and conditioner (What are complements?)
   b. ice cream and ice-cream cones (What are complements?)
   c. ice cream and frozen yogurt (What are substitutes?)
   d. crayons and markers (What are substitutes?)
   e. milk and chocolate syrup (What are complements?)
   f. baked potato and sour cream (What are complements?)
   g. a bar soap and liquid soap (What are substitutes?)
   h. pudding cups and Jell-O cups (What are substitutes?)
   i. lunch box and a paper bag (What are substitutes?)
   j. lunch at school and a packed lunch (What are substitutes?)
   k. roller blades and hockey sticks (What are complements?)

6. Remind students that companies try to influence consumer demand for a product through advertising. The advertisements may attempt to change consumer tastes and preferences, promote the sale of complementary goods, or promote the sale of a substitute good. Knowing that advertisements are created to influence consumer behavior may help consumers analyze advertisements so they can make more careful decisions.

7. Explain that some of the information in advertisements is fact and some is opinion.

8. Define a fact as a statement that can be proven true or false. For example:

   a. The price of the toy is $27.00.

   b. The bike is 21 inches.

   c. The basketball is red, white and blue.

   d. The binder can be used to hold paper.

   e. The candy contains sugar, caramel, chocolate, and peanuts.

9. Define an opinion as a statement based on a belief or value. For example:

   a. Our cereal is better than the other brand.

   b. This game is more fun than the other one.

   c. This computer is easier to use than the other brand.

10. Divide the students into small groups. Distribute copies of print ads and markers to each group.

11. Explain that the students should read the ads and determine which phrases in the ads are facts about the product and which are opinions. They should circle facts with one color and opinions with another.

12. Ask each group to report the facts and opinions they found to the class. When all groups have reported, discuss the following questions:

    a. Which occurred more frequently — facts or opinions? (probably opinions)

    b. Which are most useful to consumers? (facts)

    c. Provide an example of a time that you were misled by an advertisement. (Answers will vary.) Why do you think this happened? (Didn't pay enough attention to the facts.)

13. Using the same advertisements, ask each group to answer the following questions:

    a. Who is being encouraged to use this good or service? (Answers will vary.)

b. How do the ads appeal to the consumer's tastes and preferences? (describes the product; shows a celebrity using, eating, or wearing the product; provides an authority's opinion about the product)

c. In which type of publication did this ad appear? (newspaper, children's magazine, sports magazine, news magazine, working women's magazine, fashion magazine)

d. Is there a relationship between the potential consumer, the type of advertisement, and the type of publication? (Yes. Companies place advertisements in publications that will most likely be read by consumers the company is trying to reach.)

e. Does the ad provide consumers with enough information to decide whether to buy this good or service? (Answers will vary.)

14. Explain that each group will create a "substitute" mobile for its product.

15. Distribute art supplies, a hanger, yarn, hole punch, and heavy paper or index cards to each group.

16. Instruct each group to create a mobile by illustrating the product and the available substitutes for the product on the paper or index cards. For example, if the product is Coca-Cola, substitutes would include Pepsi, Dr. Pepper, Kool-Aid, mineral water, fruit tea, flavored water and juices.

17. Explain that when the drawings are complete, students should punch a hole in the top of each drawing and tie a piece of string through the hole. Then, they should connect each drawing to the coat hanger and hang it from the ceiling.

18. When the mobiles are completed and hung, discuss the following questions:

    a. Give an example of a product for which there are few if any good substitutes. (electricity, salt, water, some medicines)

    b. Do companies advertise these products? (No.) Why? (If there are few substitutes, no advertisement is needed to encourage people to buy the product.)

19. Review the following:

    a. Why do companies advertise products? (to provide information in an effort to influence consumer tastes and preferences and, as a result, consumer demand for the product.)

    b. What types of information do ads provide? (facts and opinions)

    c. Which information is most valuable to consumers in making decisions to buy? (fact)

d. Give an example of a fact that might be included in an ad. (size or color of the product, price of the product, use for the product, ingredients in the product)

e. Why are facts valuable for the consumer? (Facts allow consumers to accurately compare a product to similar products.)

f. Give an example of two products that are substitutes for one another. (Answers will vary.)

g. Give an example of two products that are complements for one another. (Answers will vary.)

20. **Closure.** Review the preview statements for the lesson, emphasizing that these are the big ideas students should have learned from the activities.

a. Producers and advertisers use a variety of methods to try to influence consumer tastes and preferences, and through that, demand.

b. Tastes and preferences and the price of substitute and complementary products influence demand for goods and services.

c. Distinguishing fact from opinion in advertising enhances consumer decision making.

d. People respond to advertising in various ways.

e. Consumers make better choices when they understand and consider the factors that influence their demand for goods and services.

21. (Optional) For homework, instruct students to view two television advertisements or read magazines that have ads that are designed to have high appeal for children their age and answer the following questions:

a. What information is presented in the ad that may influence children to buy the product?

b. Was a celebrity used in the ad?

c. What facts were provided about the product?

d. Were there enough facts for you to make a decision about buying the product?

e. Was there any part of the ad that might not seem true? (toy moved in a way it wouldn't really move, product appeared larger than it really is)

f. Would this ad influence your buying behavior?

4. CONNECT

Family Connection. Ask families to discuss with their children at what age they began to recognize common product logos. Discuss the brands of products found in the home. Why were those brands purchased? Did advertising influence their choices? Families can use the following resources to help children learn more about consumer decision making:

- Berry, Joy Wilt. *Every Kid's Guide to Making & Managing Money*. Chicago: Children's Press, 1986. Helps children understand about producers and consumers, including the use of advertising.
- Fair, Jan and Melvin, Mary. *Kids Are Consumers Too!* Menlo Park, California: Addison-Wesley, 1988. Real-world mathematics for the classroom. A collection of activities using mathematics and consumer decision-making.
- *Money for Kids*. Time Inc., New York, New York. An annual magazine for children on a variety of topics, including consumer and career decisions. Available from Time Consumer Service, Inc., P.O. Box 30626, Tampa, FL 33630-0626. $1.50 for postage and handling.

Language Arts Connection. Locate advertisements for the same product in two or more publications. Compare the ads. Students can write about how their spending decisions are influenced by ads, illustrating their understanding of how facts and opinions affect preferences and demand.

Children's Literature:

- Asch, Frank. *Good Lemonade*. New York: Franklin Watts, 1976. A boy decides to open a lemonade stand. He uses every advertising appeal to gain customers.
- Herman, Charlotte. *Max Malone Makes a Million*. New York: Holt, 1991. Max decides to make his fortune after reading about how another young boy did it.
- Page, David. *The Lemonade War*. St. Petersburg, FL: Willowwisp Press, 1993. Pam and Julie want to earn enough money to buy a video game. They decide to open a lemonade stand. They argue over advertising the lemonade as the war begins.

Video Resources:

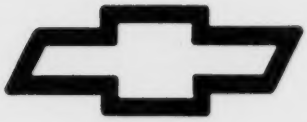
- *Buy Me That Too: A Kid's Survival Guide to Advertising*. HBO, 1991. Grades K-6. This video explores advertising aimed at children. Children develop their critical thinking skills as they watch sample commercials and examine advertising techniques.
- *Buy Me That 3! A Kid's Guide to Food Advertising*. HBO, 1993. Grades K-6. A look at advertising of food products aimed at children.

ACTIVITY SHEET 9

Familiar Symbols

What product or "brand" do you associate with each of these symbols?

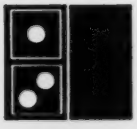
1. Product/Brand? _____



2. Product/Brand? _____

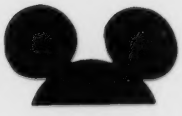
3. Product/Brand? _____

4. Product/Brand? _____



5. Product/Brand? _____

6. Product/Brand? _____



7. Product/Brand? _____

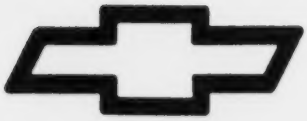
8. Product/Brand? _____

ACTIVITY SHEET 9

Familiar Symbols — Answers

What product or "brand" do you associate with each of these symbols?

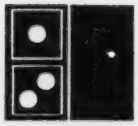
1. Product/Brand? **Converse Shoes**



2. Product/Brand? **Chevrolet Automobiles**

3. Product/Brand? **McDonalds Restaurants**

4. Product/Brand? **Nike Shoes and Products**



5. Product/Brand? **Domino's Pizza**

6. Product/Brand? **Levi Strauss Clothing**

7. Product/Brand? **Walt Disney / Mickey Mouse**

8. Product/Brand? **Apple Computers**

LESSON 5

The Grasshopper and the Ant

1. FOCUS

Student Objectives

- Analyze the trade-offs and opportunity cost of a saving decision.
- Identify reasons to save.
- Explain how savings can be used to satisfy future wants.
- Use the concept of opportunity cost to compare the advantages and disadvantages of saving to make better saving decisions.

Background

"You can't have your cake and eat it too," is an old and familiar saying. If people could have everything they want, whenever they want it, life would be very different. People wouldn't have to worry about choices, and they certainly wouldn't worry about their future wants. Because resources and incomes are limited, choices must be made to obtain the most from available resources.

Understanding the concept of opportunity cost is critical for good decision making. The ability to identify the opportunity cost, the highest valued alternative that must be forgone because another option is chosen, helps students to learn the relative values of their alternatives.

One important decision that is enhanced through understanding of opportunity cost is saving. Saving is a way to spread the use of today's income over a longer period of time. For most children, the future is very abstract. They tend to think only about the things they want right now. Saving for the future is the farthest thing from their minds. Giving up some of today's consumption to save for tomorrow's consumption is a foreign idea to many students.

Aesop's fable, "The Grasshopper and the Ant," illustrates the trade-off between satisfaction of wants today and planning for the future. Children can use the fable to examine their own behaviors and decisions about saving. Writing their own fable provides a creative way to express their ideas about the importance of consuming and saving decisions.

Concepts

Wants, opportunity cost, trade-offs, money management, saving, short-term and long-term goals

Preview

- ***Saving is a decision to give up satisfaction of some present wants to satisfy future wants.***
- ***Saving decisions require trade-offs and have opportunity costs.***
- ***Understanding trade-offs and opportunity costs enables consumers to make better spending and saving decisions.***

2. PREPARE

Activity Sheet 10: *The Grasshopper and the Ant*

1. Duplicate copies of Activity Sheet 10

3. TEACH

Introduction

A fable is a fictitious narrative intended to teach some moral truth or precept, in which animals or inanimate objects may be represented as speakers or actors.

If students are unfamiliar with fables, they might read an "Aesop's Fables" version of "The Grasshopper and the Ant." The adapted story, which appears later in this lesson, may then be easier to discuss.

1. Ask students for examples of fables they have read or heard. (Answers will vary.)
2. Explain that fables are found worldwide. For centuries they have been handed down from one generation to another, first orally, and later through writing.
3. Ask students to consider the fables they have heard or read and discuss some of the characteristics of fables:
   a. Fables are fiction; what is fiction? (something that didn't really happen)
   b. How do you know that the fables you have read or heard are fiction? (Answers will vary.)
   c. In fables, animals or inanimate objects may be represented as speakers and actors. Were animals or inanimate objects characters in the fables you have read or heard? (Yes.)
   d. Usually, fables have a moral; what is a moral? (a lesson about life taught in the story)
   e. What were the morals of the fables you have read or heard? (Answers will vary.)

Activities

1. Write "You can't have your cake and eat it, too." on the board. Discuss:

   a. What does this expression mean? (If you eat your cake, you won't have it to eat later. If you save your cake for later, you can't eat it now.)

   b. Do you remember times when you have had to make a choice between two wants?

   c. What were they? (List answers on the board. Examples might include: choosing between soccer and four-square at recess; choosing whether to buy a comic book or a snack; choosing to watch television rather than studying for the math test; saving allowance to buy a compact disk rather than spending the allowance now.)

   d. Which did you choose to do? (Answers will vary.)

2. Explain that if they chose the thing that they wanted most, they had to give up having the other thing. The item they gave up was their opportunity cost. Opportunity cost is the highest valued forgone alternative.

3. Ask students to review the examples using the term "opportunity cost." For example,

   "If I choose to play soccer during recess, my opportunity cost is the chance to play four-square."

   "If I buy a comic book, my opportunity cost is the snack I would have purchased with the same amount of money."

   "If I use my time to watch television, my opportunity cost is studying for my math test."

   "If I save my allowance to purchase a new compact disk, my opportunity cost is the thing(s) I would have bought with the same amount of money."

4. When you made these choices, why did you choose one alternative over another? What factors influenced your choices? (Answers will vary but might include examples such as: I chose to play soccer because my friends wanted to play soccer. I chose to watch television because I would have missed my favorite shows.)

5. Explain that the factors that influence people's decision making are called criteria. **Criteria** are the important things people consider when making a choice.

6. Tell students they are going to read a fable about a grasshopper and an ant who make different choices.

7. Distribute a copy of Activity 10 to each student.

A want is a desire that can be satisfied by consuming a good or service.

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Students may read the fable individually or in groups.

8. Instruct students to read the fable and think about its message.
9. After students have finished reading, discuss the following questions:
   a. What was the ant's message or the "moral" of the story? (If you do nothing but play today, you may have nothing for tomorrow.)
   b. What does this message mean? (The fable illustrates the concept of opportunity cost. Spending all of your money today means that you do not have money for something you may want tomorrow. The opportunity cost of spending today might be saving to buy something you want tomorrow. The opportunity cost of saving for the future is what you would have bought today had you chosen not to save.)
10. Explain that people might be better off by choosing to save. When people choose to save, there is a trade-off between short-term (present) goals and long-term (future) goals. In order to have money for long-term (future) spending, people give up some short-term (present) spending. This is a trade-off.

A trade-off is giving up some of one thing to get some of another thing.

11. Define **trade-off** as giving up some of one thing to get some of another thing.
12. Remind students of the expression, "You can't have your cake and eat it, too." Explain that you can't eat your cake and have it to eat in the future. But, you could trade-off — eating some cake now and saving some for the future.
13. Ask students for examples of trade-offs they have made. (Answers will vary.)
14. After the discussion, direct the students to finish the grasshopper and ant story by writing what the grasshopper might say to the ant when they meet a year later.
15. Allow time for students to share their endings and explain why they think the grasshopper would say what they wrote.
16. Ask students how their decision making about spending and saving might be enhanced by their knowledge of trade-offs and opportunity cost.
17. Ask students to give examples from their own experiences that show behavior like the grasshopper or the ant. For example,

    "I was like the ant when I decided to save for our vacation."

    "I was like the grasshopper when I spent all of my vacation money the first day."
18. After each example, ask the students to suggest how the concept of opportunity cost could have been used to make the best possible choice in each situation.

19. Closure. Review the preview statements for the lesson, emphasizing that they are the "big ideas" students should remember.

    a. Saving is a decision to give up satisfaction of some present wants to satisfy future wants.

    b. Saving decisions require trade-offs and have opportunity costs.

    c. Understanding trade-offs and opportunity costs enables consumers to make better spending and saving decisions.

20. Instruct students to write a fable illustrating the use of opportunity cost and trade-offs in making a good personal finance decision. Their fable' should end with a moral that provides good advice for others in similar decision-making situations.

4. CONNECT

Family Connection. Families may discuss their savings goals. Parents may explain how they may save or have saved for large purchases or future purchases. Students may suggest things they would be willing to give up to help the family save, taking opportunity cost into account. The family may identify the opportunity costs and trade-offs involved in each decision, and how these concepts can help them make better decisions in the future.

Families may use these resources to help children better understand spending and saving decisions:

•Godfrey, Neale S. and Edwards, Carolina. *Money Doesn't Grow on Trees*. New York: Simon & Schuster, 1994. A practical guide for parents to help children develop good spending and saving habits.

Science Connection. Ask the students to think about why the author of the fable chose an ant and a grasshopper. What are the characteristics of these two insects that are similar to the traits of the characters (the ant and the grasshopper) in the story? Are examples of trade-offs and opportunity costs found in nature?

Language Arts Connection. Students may write a persuasive letter to the grasshopper advising him about how to use understanding of opportunity cost to be a better money manager.

Children's Literature:

•Aesop (illustrated by Bari Weesman). *The Ant and the Grasshopper*. Boston: Houghton Mifflin, 1991. The classic fable with a moral about saving for the future.

•Koningsburg, E.L. *From the Mixed-Up Files of Mrs. Basil E. Frankweiler*. New York: Aladdin Books, 1967. Claudia and Jamie make many economic decisions during their stay at the Metropolitan Museum of Art in New York City.

•McGovern, Ann. *Aesop's Fables*. New York: Scholastic, 1963. A collection of popular fables, including the "Ant and the Grasshopper."

Activity Sheet 10

The Grasshopper and the Ant: a fable about saving

One wondrously sunny day, just before the beginning of the new school year, a very happy grasshopper was frolicking through the neighborhood. He soon came upon a group of ants who were busily carrying pennies, nickels and dimes to the corner bank.

It looked like backbreaking work — each ant carrying a load ten times its own size. "Wow!" said the grasshopper, as he stopped to see if he had enough money to play a video game, "Why would anybody spend such a great day working so hard?"

As he watched the industrious ants, he reached deep into his pocket to pull out his last shiny quarter. He dropped it in the slot and continued his daily quest to break the scoring record. Video games were his passion. Sometimes he played three times a day.

"Rats!" he exclaimed as the video character met an untimely demise at the hands of the alien creature. "Where can I get another quarter? I'll bet I can borrow one from the ant. She's just putting it in the bank and doesn't need it. Hey ant, old buddy, can I borrow twenty-five cents? I'll pay you back next week."

"Where did all of your money go?" asked the ant as she deposited another coin into the Automatic Teller Machine. "You seem to always spend your money on fun and games. Why should I think that you can save your money to repay me next week? Have you saved any of the money you earned this summer?"

"Hey, I've had the greatest summer ever! I didn't work much, I went to the amusement park six times, played video games every day, and stuffed myself with candy all summer. You guys work too hard and don't have much fun. I'm too young to worry about saving money. I get whatever I want. That's what being a kid is all about."

The grasshopper went on to tell about all of the fun things he did and all of the great stuff he wants for the new school year.

"You don't seem to care much about the future," said the ant. "I'm saving so that I can buy some great new school clothes, have enough for a fun holiday vacation, and do things on the weekends during the winter when I don't have time to work and earn money. You've spent all of your money during the summer and haven't saved anything for the long winter. Have you even thought about saving for college?"

"Are you nuts?" asked the grasshopper. "I'm too young to save," he added.

"Don't you think about all of the other things that you could do with the money you spend?" asked the ant. "Do you buy the first thing you see, or do you think about what you give up?"

"I'm not giving up anything," replied the grasshopper.

"Yes, you are," added the ant. "When you spend a dollar, you don't have that dollar for something else. When you spend a dollar, you don't have that dollar for something you might want in the future. Every choice you make has an opportunity cost. When I save, I know that I am giving up something that I could have today for something in the future."

A few months later, the grasshopper was again walking through the neighborhood, when he spotted the ant making another trip to the bank. "What are you doing now?" he asked.

"I'm using some of my savings to go to the movies with my friends this weekend," the ant replied. "What are you doing?"

"Nothing, I guess," the grasshopper said, longingly eyeing the video game he had no money to play. "I don't have much fun these days."

"Well, I hope you've learned something about saving." Then the ant gave the grasshopper some advice. "If you do nothing but play today, you may have nothing for tomorrow."

What did the ant mean with her advice?
What does the moral of the story mean?

The next August, the ant was busily carrying her savings to deposit in the bank when she met the grasshopper. "How are you?" she asked.

What did the grasshopper say? Finish the story.

LESSON 6

Jeff's Big Decision

1. FOCUS

Student Objectives

- Identify the opportunity cost of spending or saving decisions.
- Distinguish between short-term and long-term saving goals.
- Define opportunity cost and trade-offs.
- Explain how saving helps to satisfy future wants.
- Use understanding of opportunity cost to suggest how to make better saving decisions.

Background

What is a long time? Ask many workers, and they will tell you how long it is until they can retire. Ask a teacher, and she might tell you how many days there are until summer vacation. Ask a ten year old, and you might hear how long it is until recess. Everyone has a different concept of a long time. One difficult understanding for young children is the importance of a plan for the future. The decision to save, giving up some consumption today for a future good or service, is an important part of financial planning. This activity will help students clarify how they feel about their short-term and long-term goals and extend their vision of future economic decisions. Students will use their understanding of trade-offs and opportunity cost to help Jeff make an important decision about his long- and short-term consumer goals. Using the economic concepts of opportunity cost and trade-offs to analyze choices will help students develop decision-making skills.

Concepts

Wants, trade-offs, opportunity cost, money management, saving, short-term goals, long-term goals

Preview

- ***Saving decisions require trade-offs between short-term and long-term goals.***
- ***Understanding short-term and long-term economic goals contributes to the success of personal financial planning.***
- ***Opportunity cost is the highest valued alternative that is given up because another option is chosen.***

- ***Trade-offs involve giving up some of one thing to get some of another thing.***

2. PREPARE

Activity Sheet 11: *Short-Medium-Long*
Activity Sheet 12: *Jeff's Big Decision*
11 x 14 drawing paper

1. Make a transparency of Activity Sheet 11.
2. Make six copies of Activity Sheet 12.

3. TEACH

Introduction

1. Ask students: How long is a "long time?" Do not suggest hours, days, or years. Let students define it for themselves. Guide students to recognize that the concept of "a long time" differs among people.
2. Encourage students to generalize about the amount of time they consider short, medium, or long.
3. Ask students for examples of future events or activities that fit their generalizations.
4. Discuss:
   a. Why do people have different ideas of time and the future? (People's ideas about the future may depend on which of their many goals they have in mind at the time.)
   b. How do people's ages influence their idea of "a long time?" (An older person may think of a long time as years. A younger person might think of a long time as days or weeks.)
   c. How do you think your parents or grandparents would describe a long time? (Answers will vary.)
5. Explain that this lesson is about how students think about their future goals and how to plan for the future.

Activities

1. Discuss:
   a. What things do you want to have in the future? (Answers will vary.)
   b. Is there something for which you would like to save? (Answers will vary.)

c. What are your savings goals? (Answers will vary.)

d. How would you define the word "want?" (A desire that can be satisfied by consuming a good or service.)

A want is a desire that can be satisfied by consuming a good or service.

2. Display the transparency of Activity Sheet 11.

3. Ask students to name goods or services for which they would be willing to save. As the students identify a good or service, ask the class to vote on where it should be placed on the transparency. This will generate discussion about the students' opinions regarding short, medium, and long terms.

4. Distribute a copy of Activity Sheet 12 to six students who will act in the skit. Allow time for the actors to read their parts.

5. Instruct those with parts to act out the skit for the class.

6. Discuss:

   a. What was Jeff's dilemma? (whether to save his money to purchase the bike as he had planned, or buy the *Super Mega Blaster*)

   b. Why was Jeff saving? (to purchase a bicycle to use for a newspaper route)

   c. Was this a short-term, medium-term, or long-term goal? (This depends on the students' generalizations.)

7. Define **opportunity cost** as the highest valued alternative that must be given up because another option is chosen.

Opportunity cost is the highest valued alternative that must be given up when another option is chosen.

9. Write the following example on the board.

   You have the opportunity to play baseball after school from 4:00 to 6:00 p.m., but you also have an invitation to attend a movie during the same time. What would you do?

10. Ask each student to read the example, make a choice, and identify what he or she would give up.

11. Explain if they choose to play baseball, they give up the movie. Therefore, the movie is their opportunity cost. But, if they choose the movie, they give up the baseball game. The opportunity cost is the alternative they gave up. Discuss:

    a. What was Jeff's opportunity cost of saving for the bicycle? (He gave up the next best alternative use of his money — a better lunch, snacks, or another thing.)

    b. What factors may have influenced his decision to save? (his other goals and wants, his income, his friends' opinions)

    c. At the end of the skit, why was Jeff's decision so difficult to make? (He wanted both items)

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12. Explain that in making his decision, Jeff had to trade-off satisfaction that he would receive from consuming today for satisfaction he will receive from consuming in the future. A trade-off involves giving up some of one thing to get some of another thing.

    a. What is something Jeff did in the short term to save more to meet his long-term goal? (Jeff likes buying lunch more than packing lunch. He gives up the extra satisfaction from buying his lunch to get the satisfaction from saving toward enjoying the bicycle in the future.)

    b. In deciding between the *Super Mega Blaster* and the bike, what might Jeff's opportunity cost be? (Depending on which he decides to buy, his opportunity cost is either the bicycle or the *Super Mega Blaster*.)

    c. What choice should Jeff make? (the one with the lower opportunity cost — giving up something he values less than what he gets because of his decision)

13. Remind students that in the story, Jeff's opportunity cost changed when he heard about the *Super Mega Blaster*. Point out that decision making is an ongoing process because there are always new alternatives and new choices to make. Opportunity costs may change as new alternatives arise. If Jeff had not heard about the *Super Mega Blaster*, his opportunity cost would have been different. Discuss:

    a. How did Jeff's opportunity cost change in the story? (At first, saving for the bike required giving up certain things. Later, the opportunity cost of saving for the bike was the *Super Mega Blaster*.)

    b. What problems, similar to Jeff's, have you experienced? (Answers will vary.)

    c. How would you resolve your problems, using your understanding of trade-offs and opportunity cost? (Answers will vary.)

14. Give a sheet of 11" x 14" paper to each student.

15. Instruct students to fold the paper into thirds. Explain they should identify a short-term, medium-term, and long-term savings goal and illustrate each on one-third of the paper. When the illustrations are complete, students should label each goal.

16. Display completed illustrations and discuss:

    a. What might you have to give up to reach each of your savings goals? (Answers will vary.)

    b. When you decide to save, do you consider what you have to give up — your opportunity cost? (Answers will vary.)

17. Remind students that when they decide to save, they value saving (or what they are saving for) more than what they are giving up. If they don't value saving more, they will decide not to save.

18. **Closure.** Review the preview statements for the lesson, emphasizing that they are the "big ideas" students should remember.

    a Saving decisions require trade-offs between short-term goals and long-term goals.

    b. Understanding short-term and long-term economic goals contributes to the success of personal financial planning.

    c. Opportunity cost is the highest valued alternative that is given up because another option is chosen.

    d. Trade-offs involve giving up some of one thing to get some of another thing.

19. Ask students to complete Jeff's story. Explaining the decision he made in terms of opportunity cost and trade-offs.

20. **Enrichment Activity.** In the play, Jeff says, "My dad says I'm making an investment in my future." Ask students what Jeff's dad meant when he said the bicycle was an investment? (Buying the bicycle would be an investment in a capital good that Jeff would use in the future to earn income.)

Investment is spending to purchase newly produced capital goods.

21. Explain that investments in capital goods have opportunity costs. If you invest, you are not able to spend your money or invest it in something else. Discuss:

    a. Why was Jeff willing to invest in the bicycle? (He expected to use the bicycle to earn more income.)

    b. What must Jeff give up to invest in the bicycle? (the *Super Mega Blaster*)

    c. If Jeff considers the bicycle an investment, how might it affect his decision? (The bicycle becomes more valuable because it can help him earn more income in the future. Seeing it as an investment helps Jeff look more toward the future.)

4. CONNECT

Family Connection: Family members may discuss savings goals with their children. Students may interview family members and compare their savings goals. Parents or guardians may discuss how the family can save for a goal, and use opportunity cost to assess whether it is best to save. Families may use the following resource to help children understand more about saving decisions:

- *Teaching Your Children How to Save and Spend.*" New York: American Express Company. A pamphlet for parents with hints to help children develop spending and saving habits. Multiple copies are available from American Express Company, Office of Public

Responsibility, World Financial Center, New York, NY 10285-4700.

Children's Literature:

- Babbitt, Natalie. *Tuck Everlasting*. New York: Farrar, Strauss and Giroux, 1985. What are the benefits and costs of living forever? Meet the Tuck family, Winnie, and the man in the yellow suit.
- Bunting, Eve. *Fly Away Home*. New York: Clarion Books, 1991. Andrew and his father live at the airport. Both work and save their income. Their savings goal is to be able to afford an apartment.
- Hoban, Russell. *A Bargain for Frances*. New York: Harper Row, 1970. Frances has a savings goal and has saved her money. Her friend decides that she wants the same thing.
- Rockwell, Thomas. *How to Eat Fried Worms*. New York: Dell, 1994. A mini-bike is the goal. The problem: Billy can earn $50 toward his goal by eating fifteen worms in fifteen days.

ACTIVITY SHEET 11

Short — Medium — Long

Short Term	Medium Term	Long Term

ACTIVITY SHEET 12

Jeff's Big Decision

Narrator: It was a day just like most other school days.

Mike: (making groaning sounds as if he were dragging himself out of bed) I really don't feel good. May I stay home today?

Narrator: Mike goes to the cupboard to check out the breakfast cereal selection.

Mom: What cereal do you want?

Mike: How come all we have is Corn Krispies?

Mom: That's what you wanted when they were having the contest to win concert tickets.

Mike: But I don't really like Corn Krispies that much.

Mom: You should have thought about that when you made your choice.

Narrator: Every decision involves a cost. What was Mike's opportunity cost when he chose Corn Krispies?

Mike: Isn't there anything else for breakfast?

Narrator: There's a knock at the door. It's Mike's best friend, Jeff.

Mike: (opening the door) Hi, Jeff. Want some Corn Krispies?

Jeff: (loudly) Yuk!

Narrator: Thus began a typical day in the lives of two friends. Their morning began with the consequences of one economic choice, and the day will be filled with more choices until they reluctantly turn off the lights.

Jeff: I'm going to buy a new bike. With a new bike I can get a job delivering the community newspaper. Then, I'll really be into the big bucks.

Mike: Why do you want to buy a bike when you don't even have the job yet?

Jeff: My dad says I'm making an investment in my future. I need the bike so that I can earn more income.

Mike: Where are you going to get the money for the bike?

Jeff: Grandma gave me thirty dollars. My dad said that he'd pay me ten dollars to clean up the yard, and you still owe me five dollars from our trip to the fair. Add that to the money in my savings account and I only need twenty-five dollars more. Maybe I can borrow some money from my college fund.

Narrator: Is Jeff making a savings plan?

Mike: Didn't I give you back the five dollars? Uh oh! I guess I forgot. I lent five dollars to Freddie for video games. I'll borrow five from my mom and pay you back.

Narrator: At school, things went quite well in the morning. The math test was postponed and the speaker about careers was really good. She talked about how much work she had to do to find the right job and all of the fun things she gets to do. All they had to do was write a letter to themselves about their career goals.

Mike: Boy, am I hungry! What are you having today, Jeff?

Jeff: I brought a lunch today so I can save for the bike. Sometimes you have to give up things for what you want in the future.

Narrator: Another example of opportunity cost!

Mike: You must really want that bike.

Narrator: After school, Mike and Jeff see Freddie and Troy at the corner.

Jeff: Hey guys! What are you doing?

Freddie: What's up?

Troy: Have you been to the new store at the mall? They've got everything! They've got all of the new CDs and the best video games. They even have the new *Super Mega Blaster* video game system for only $99.99.

Mike: I've got to have one! What about you, Jeff? You've got at least that much saved up.

Jeff: I would really like a *Super Mega Blaster*, but I really want a new bike. I'm confused!

Freddie: Wow! You've got a big problem, Jeff. If I were you, I would. . . .

LESSON 7

Why? How? Where?

1. FOCUS

Student Objectives

- Define saving as income not spent.
- Explain how saving helps satisfy future wants.
- Define scarcity as the condition that exists when people can't have everything they want.
- Explain that setting a goal and deciding how much to save and where to save are parts of a saving plan.
- Define incentive as a factor that motivates or influences how people behave.
- Use cost and benefit analysis to make better saving decisions.
- Identify the opportunity cost of a decision.

Background

Saving involves trade-offs — giving up some present consumption for future consumption. This is often difficult for adults and is certainly difficult for children. Knowing about saving plans, savings goals, and methods or places to save will help students develop a saving routine. They can be encouraged to put away pennies, nickels, and dimes for a vacation, a big purchase, or even a college education.

When adults require children to save, children may perceive saving as a negative experience, focusing more on what they do not get today, instead of what they get in the future. However, when children make the decision to save for reasons they choose and in a way that they choose, they will experience a key benefit of the decision to save. They will attain a goal that was not achievable without saving. Setting a goal provides an incentive to save.

Saving is a vehicle to achieve long-term consumer goals. Setting and achieving saving and future spending goals can be a very positive experience. Experience with evaluating economic choices, such as saving options, will build decision-making skills and result in better consumer choices.

This lesson provides some practical activities to build understanding about how to make saving choices. Children set a goal, determine a strategy for saving, and decide how they will save to best achieve that goal.

Concept

Wants, scarcity, incentives, benefit/cost analysis, opportunity cost, saving, money management, savings goal

Preview

- ***People save for a variety of reasons.***
- ***People use a variety of strategies for saving.***
- ***People choose a variety of methods or places to save, based on their preferences and the information available to them.***
- ***A future spending goal is an incentive to save.***
- ***Good decision-making skills contribute to more successful saving and spending.***

2. PREPARE

Drawing paper and art supplies	Activity Sheet 15: *Saving Decision Grid*
Activity Sheet 13, *My Saving Plan*	Activity Sheet 16: *Saving Options*
Calculators (optional)	
Activity Sheet 14, *Deposit Dollars*	

1. Make a copy of Activity Sheets 13, 14, 15, and 16 for each student.
2. Make a transparency of Activity Sheet 15, or draw the decision grid on the chalk board.

3. TEACH

Introduction

Saving is income not spent.

1. Ask students how many of them save some of their money. Explain that saving is income not spent. Discuss:
   a. Where do you save your money? (piggy bank, savings account, with parents)
   b. Who makes the decision for you to save? (Answers will vary.)
   c. How do you decide how much to save? (Answers will vary.)
   d. Why do you save? (to purchase something in the future)
2. Ask students for examples of goods or services for which they save.
3. Explain that people save for the short term and the long term. For example, a person might save for a vacation that he or she plans to take within a year. This is a short-term goal. A person might also save for his or her college education. This is a long-term goal. When people save, they save to achieve a goal, such as the purchase of something in the future.

4. Explain that the purpose of this lesson is to encourage students to think about their future wants, to broaden their understanding of reasons to save, and to enhance their ability to make better saving decisions.

Activities

1. Explain that people buy and use goods and services to satisfy their wants. Some wants can be satisfied in the present. Others require saving so they can be satisfied in the future.
2. Instruct students to make a list of goods and services they want.
3. Ask students if they can afford to purchase all of the goods and services they have listed today.
4. Remind students that even if people save, they can't have everything they want. When people can't have everything they want, they face the problem of scarcity.

Scarcity is the condition of not being able to have everything you want.

5. Explain that because of scarcity, people must make choices among their wants and their savings goals.
6. Instruct students to select one good or service from the list for which they would be willing to save. Explain they should be realistic in making their choice. They should select something that isn't too expensive so they don't have to wait too long.
7. Distribute drawing paper and art supplies. Tell students to draw a picture of the item for which they are willing to save.
8. After the pictures are complete, instruct students to write the following below the picture:
   a. an approximate price for the item;
   b. the date by which they wish to purchase the good or service above the picture; and
   c. a brief explanation of why they want the good or service.
9. Announce that students have just accomplished the first step toward developing a successful saving plan. They have set a goal!
10. Have students entitle their pictures "My Savings Goal." Discuss:
    a. Will a goal make it easier for you to save? (Answers may vary.)
    b. Will you make different spending decisions because of your goal? (Answers may vary.)
11. Explain that a goal is an incentive to save. An **incentive** is a factor that motivates or influences how people behave. Having an incentive makes it easier to save. An incentive gives you a better reason to save.

An incentive is a factor that influences people's behavior.

12. Point out that students have a goal, a date for achieving the goal, and a price. They are ready to take the next step in developing a saving plan

— determining how much they must save during each week or month to achieve their goal.

13. Distribute a copy of Activity Sheet 13 to each student. Demonstrate how to complete the equation using the following example.

    Mark wants to buy a video game that has a price of $30. He would like to have the game by (insert a date six months from today's date). This is six months from today. To achieve his goal, he must save $5 each month.

14. Explain that if students complete the worksheet correctly, the amount they must save in each time period multiplied by the number of time periods will equal the price of their savings goal. For example, in Mark's case $5 x 6 = $30.

Calculators can be distributed, if desired and/or available.

15. Explain students should use the information from their drawing to complete the activity. After students complete their work, discuss:

    a. Is this a realistic amount for you to save each week or month? (Answers will vary.)

    b. What can you do if the amount is too much or too little? (change the date by which they plan to reach the goal, change the amount they save, or save more often)

    c. What will you give up by saving this amount each week or month? (the most valued item they would have purchased with that amount of money)

For simplicity, assume that there will be no interest earned on their savings and that the price of their goal will remain the same over time.

16. Distribute a copy of Activity Sheet 14 to each student. Tell students to do the following

    a. cut the "Deposit Dollars" apart;

    b. record the amount they must save in each time period on each "Deposit Dollar;" and

    c. count out enough "Deposit Dollars" to make all of their payments.

17. Divide students into pairs. Each partner should explain his or her saving plan to the other and count out the number of deposit dollars required to reach the goal.

18. Explain that they have now accomplished the second step toward successful saving — establishing a plan of how much and how long to save.

19. Explain that the next step is to decide where they will keep their savings. Ask students to identify some alternatives. List their examples on the board. (piggy or other bank, parents keep it, checking account, certificate of deposit, under the mattress/in a drawer, passbook savings account, U.S. Savings Bond)

20. Explain that when deciding where to save their money, students should consider some important criteria. List the following on the board.

Will my money be safe?
Can I get my money when I want it?
Will I earn interest on my savings?
Do I know how much I have saved so far?
Can I change my savings goal?
Does it stop me from spending my savings?

21. Allow students to suggest additional criteria.

22. Distribute a copy of Activity Sheet 15 to each student. Display a transparency or draw the decision grid on the board.

23. Explain that the decision grid can be used to help people evaluate the costs and benefits of their alternatives.

24. Instruct students to complete the grid along with you. In the left-hand column, "Saving Alternatives," list the various places that students may keep their money. In the boxes across the top, list the evaluation criteria.

25. Distribute a copy of Activity Sheet 16 to each student. Tell students to read the handout.

26. Explain that, given the information in the reading, students can use the grid to help them make a choice.

27. Work through the grid with the class, placing a plus (+) in the box if the alternative meets the criterion and a minus (-) if it does not. (See Activity Sheet 15 — Sample Answers)

28. After completing the grid, discuss the following:

    a. What are the benefits and costs of using the piggy bank? (Benefits: easily get the money; know the balance; can change the goal. Costs: money won't be safe; won't earn interest; won't prevent spending.)

    b. What are the benefits and costs of placing the money in a checking account? (Benefits: money will be safe; can easily get the money; will know the balance; can change the goal; money may earn interest. Costs: money may not earn interest; won't prevent spending.)

    c. What are the benefits and costs of placing the money in a drawer or under the mattress? (Benefits: can get the money easily; will know the balance; can change the goal. Costs: money won't be safe; money won't earn interest; won't prevent spending.)

    d. What are the benefits and costs of purchasing a U.S. Savings Bond? (Benefits: money will be safe; money will earn interest; prevents spending. Costs: can't get money easily; may not know the balance; can't change the goal.)

    e. What are the benefits and costs of having parents keep the money? (Benefits: money will be safe; may be able to get money easily; will know the balance; can change the goal. Costs: may not be able to get money easily; won't earn interest.)

Older students may be able to rate each alternative on a 1-5 scale. In this case, they should use a benefit/cost comparison to evaluate the alternatives according to each criterion, and determine the relative importance of each.

f. What are the benefits and costs of placing the money in a certificate of deposit? (Benefits: money will be safe; money will earn interest; will know the balance; will prevent spending. Costs: can't get the money easily; can't change the goal.)

g. What are the benefits and costs of placing the money in a passbook savings account? (Benefits: money will be safe; money will earn interest; will know the balance; can change the goal; will prevent spending. Costs: may not be able to get money easily.)

Opportunity cost is the highest valued alternative that must be forgone because another option is chosen.

29. Remind students that in choosing one alternative, they give up the next highest valued alternative. What they give up is their opportunity cost. In the class example, the opportunity cost of choosing the passbook savings account is the checking account or the CD or having your parents keep it for you.

30. **Closure.** Review the preview statements for the lesson, emphasizing that they are the "big ideas" students should remember.

    a. People save for a variety of reasons.

    b. People use a variety of strategies for saving.

    c. People choose a variety of methods or places to save, based on their preferences and the information available to them.

    d. A future spending goal is an incentive to save.

    e. Good decision-making skills contribute to more successful saving and spending.

31. Remind students of their savings goal. Ask them to write a short summary of their saving plan by answering the following questions:

    a. What are your short- and long-term goals?

    b. By when do you want to achieve your goals?

    c. How much do you have to save during each time period to achieve your goals?

    d. Where will you save your money and why?

4. CONNECT

Family Connection. Students may talk with their parents or guardians about things that the family saves for and ways that the family saves. Through their experiences, parents can reinforce the idea that saving for tomorrow means giving up something today to achieve a future goal. Families may use the following resources to help students understand more about saving decisions:

•James, Elizabeth and Barkin, Carol. *Managing Your Money*. Milwaukee, WI: Raintree Publishers Ltd, 1977. All about money in children's language, including opening savings accounts.

•*U.S. Savings Bonds*. Federal Reserve Bank of Dallas. Describes the various types of savings bonds and answers most questions about bond ownership, interest, and redemption.

•Donovan, Gail, *The Story of Banks*. New York: Federal Reserve Bank of New York, 1994. A cartoon format book about the role of banks in the economy. The story follows a group of students as they learn about banks and the students' options as consumers.

Mathematics Connection. Determining the amount and time required to reach a savings goal is a good math activity. This can be extended by introducing the concept of interest. Students may determine how much interest they will earn if they deposit a certain amount in their account for a specified period of time. See Godfrey, Neale, *The Kids Money Book*, cited below, for ideas.

Consumer Connection. Invite a representative from a local financial institution to talk with the students about how to open a savings account and how banks provide services to consumers. The representative may discuss the costs and benefits of saving, the reasons why people save, and when it is best to save rather than spend.

Children's Literature:

•Mitchell, Margaret King. *Uncle Jed's Barbershop*. New York: Simon and Schuster, 1993. Despite great obstacles, Sarah Jane's Uncle Jed, the only African-American barber in the county, pursues his dream of saving enough money to open a barber shop.

•Godfrey, Neale S. *The Kid's Money Book*. New York: Scholastic, 1991. A comprehensive reference for children about a variety of topics, from money to the stock market. Chapter three describes banks and saving choices.

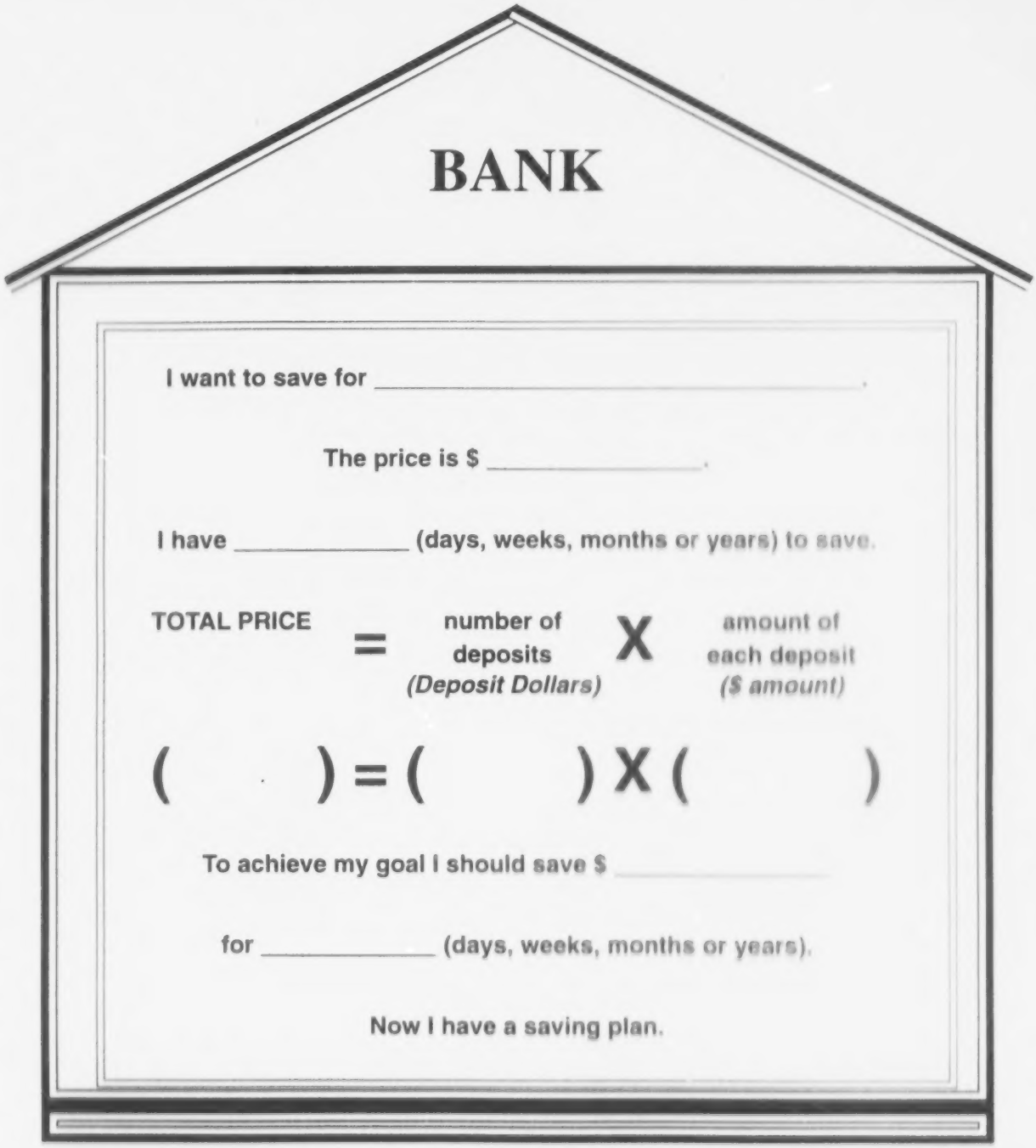
•Kehret, Peg. *The Richest Kids in Town*. New York: Cobblehill Books, 1994. Two boys design a variety of money-making schemes that don't quite work out. They both have a savings goal. Now, all they need is to earn some income.

•Rawls, Wilson. *Where the Red Fern Grows*. New York: Bantam Books, 1992. Billy works and saves his money for a pair of hunting dogs.

•Williams, Vera. *A Chair for My Mother*. New York: Scholastic, 1982. A story about working and saving for a new chair after a fire.

ACTIVITY SHEET 13

My Saving Plan


BANK
I want to save for _____.
The price is $ _____.
I have _____ (days, weeks, months or years) to save.
TOTAL PRICE = number of deposits (Deposit Dollars) X amount of each deposit ($ amount)
( ) = ( ) X ( )
To achieve my goal I should save $ _____
for _____ (days, weeks, months or years).
Now I have a saving plan.

74

ACTIVITY SHEET 14

Deposit Dollars

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ACTIVITY SHEET 15

Saving Decision Grid

	Evaluation Criteria					
Saving Alternative						

ACTIVITY SHEET 15

Saving Decision Grid — Answers

Saving Alternative	Evaluation Criteria: Will My Money Be Safe ?	Can I Get My Money ?	Will I Earn Interest ?	Will I Know My Balance ?	Can I Change My Goal ?	Does It Stop My Spending ?
Piggy Bank	–	+	–	+	+	–
Checking Account	+	+	?	+	+	–
Under Mattress or in Drawer	–	+	–	+	+	–
U.S. Savings Bond	+	–	+	?	–	+
Parents Keep Money for You	+	?	–	+	+	+
Certificate of Deposit	+	–	+	+	–	+
Passbook Savings Account	+	?	+	+	+	+

BEST COPY AVAILABLE

ACTIVITY SHEET 16

Savings Options

Brett decided to keep his money in a big glass piggy bank. He just dropped his change in it everyday. He could see his money "grow" and always had cash when he needed it. It was a little difficult to get the coins out when he needed some money, and he had to be very careful not to break the jar. He hid his bank in his closet because he just didn't trust his little sister.

Kimberly didn't think much about saving or what she did with her money. She left money in her pockets or put it wherever she happened to be in her room. Whenever she needed a little extra cash, she looked through her drawers, her pockets, on the floor, or behind the dresser and could always come up with a dollar or two.

Talia didn't think that she had the discipline to save, so she asked her parents to keep some of her allowance or money she received as gifts. When she needed some money, she asked her parents. Sometimes they disagreed about how she should spend it, but she trusted them. She always had to tell them what she wanted to buy.

Kate discovered that when she kept her money in a savings account at the bank, they would pay her interest. She could get her money whenever she wanted, but it was a hassle to go to the bank to make deposits and withdrawals. The bank guard made her feel that her money was very safe. She liked receiving the monthly statement because it made her feel grown up.

Kendra was excited when Grandma told her that she was getting $50 for her birthday. Imagine her surprise when she saw the "Series EE U.S. Savings Bond." Grandma thought that this would be a good way for Kendra to start saving, and Grandma only had to pay $37.50 for the bond. The bond will earn interest, but it won't be worth $50 for several years.

George didn't like the idea that his savings account was paying so little interest. Mr. Greenspan at the bank told him that if he bought a certificate of deposit (CD) for $500, he would get a much higher interest rate. The bad news was that he had to leave his money in the bank for six months. He had to decide whether he might need some of his money before that time.

LESSON 8

Credit Is Based on Trust

1. FOCUS

Student Objectives

- Use benefit/cost analysis to determine the advantages and disadvantages of borrowing.
- Generalize that borrowing and lending are based on trust between the lender and the borrower as well as an understanding of the costs and benefits of lending or borrowing.
- Identify the personal qualities that build trust and creditworthiness.
- Make better decisions about lending and borrowing by using economic reasoning.

Background

Children borrow money from each other every day. Though the "loans" are usually very small, they are a typical part of a young consumer's experiences. Children learn at an early age to trust some people and not others. They form these opinions about others through their experiences and their ability to predict behavior. This same process of generalization and prediction of behavior will assist them as they become adults and participate in credit markets as purchasers of automobiles, homes and other consumer goods. Through this activity, students will examine their attitudes about borrowing and lending and apply their economic knowledge to make better decisions.

In this lesson, students decide what behaviors make a person creditworthy and whom they trust to repay loans. Role playing in this lesson puts the students in the position of lender. The behaviors they look for in others are the behaviors that they should seek to develop as they prepare themselves to become borrowers.

Concepts

Income, consumption, benefit/cost analysis, borrowing, credit, creditworthy, borrowing is based on trust

Preview

- ***Credit is based on trust.***

- ***Borrowing is a way to increase current spending using future income.***
- ***Creditworthiness is determined by behavior.***
- ***Using benefit/cost analysis enhances decision making about lending and borrowing.***

2. PREPARE

Activity Sheet 17: *Credit Is Based on Trust*

1. Make a copy of Activity Sheet 17 for each group of three or four students.

3. TEACH

Introduction

1. Write the word "trust" on the board. Ask students to define trust. After some ideas have been shared, guide them to develop a definition, such as "Trust is reliance on the integrity, or honesty of another."
2. Write the word "credit" on the board. Ask students to define "credit." After some ideas have been shared, guide them to develop a definition, such as "Credit is money loaned, usually for a fee, that must be repaid at a future time."
3. Use the following sentences to help students recognize the connection between the two terms.
   a. I will make a decision to lend you money because I trust you to repay the loan.
   b. When the bank manager learned that I had a good history of repaying my debts, she made a decision to give me credit.
   c. You didn't repay me the last time I gave you a loan, so I have decided not to lend you money this time. I don't trust you.
4. Discuss the following questions. As students answer the second question, list the key words from their explanations on the board.
   a. How many of you have loaned money to a friend? (Answers will vary.)
   b. How did you decide to whom you would lend money? (Answers will vary.)
5. Review the list on the board and guide students back to the word trust.

6. Explain that the activities in this lesson will explore students' thoughts about borrowing and lending and help them use benefit/cost analysis to make better decisions about borrowing and lending money.

Activities

1. Divide students into groups of three or four. Distribute a copy of Activity Sheet 17 to each group.
2. Tell the groups to spend a few minutes thinking about the times they have borrowed money or received something "on credit" from others.
3. Explain that students should list,in the column labeled "Purchase, some of the things they have borrowed money to buy or used credit to buy. This list will represent the collective experiences of the group. It is not necessary to identify the group member who borrowed.

Income is payment received by households for selling or renting their productive resources. (The greater the income, the greater the ability to purchase goods and services.)

Consumption is buying or using goods or services to satisfy wants.

4. Explain that the reason people borrow money or use credit is to purchase something in the present that they will pay for with future income. Borrowing increases the ability to purchase the things people want now. When people borrow money, they are able to use it to consume more goods and services in the present, increasing satisfaction of their wants.
5. Instruct each group to complete the second column of Activity Sheet 16, labeled "Lender," by listing the person who loaned the money or item in each situation (parent, friend, sibling, other relative, stranger, store owner).
6. Tell each group to select one of the situations from its list and develop a brief skit to present to the class. The skit should illustrate what was loaned and who made the loan. It should provide some clues about why the person decided to make the loan.
7. Allow time for groups to develop and present their skits.
8. After each skit, the audience should determine why the lender gave credit to the borrower. The audience should identify the characteristics of the borrower that created trust. List these on the board.

"They needed it." is not an adequate reason for giving credit. The students should explain the relationship or behavior that created trust between the lender and the borrower.

For example,

He paid me back the last time.
She is my friend, and I trust her.
He is a responsible person.

9. Explain that when people lend money to another person, they have decided that the person is worthy of credit or "creditworthy."
10. Define creditworthy as having the qualities which show the ability to obtain and repay loans.
11. Ask the students what qualities make a person "creditworthy." As they answer, guide them to understand that people who lend them money are those who trust them or have a long-term relationship with them. People typically form opinions about others based on their experiences with them. For example, if they borrow money

their experiences with them. For example, if they borrow money from a friend, it was a loan on the trust that it will be repaid out of friendship.

Lenders typically consider a person's income, repayment history, stability, or close relationship to the lender.

12. Explain that people evaluate their lending decisions by comparing the benefits they expect to receive with what they are willing to give up (opportunity cost) to receive the benefit. This is called benefit/cost analysis.

If appropriate, define interest as payments made for the use of borrowed or received for loaned money.

13. Discuss the following questions:

    a. What are the benefits that lenders receive when they lend money? (earn interest paid by the borrower, feel better because they have helped someone, hope that someone will help them in the future)

    b. What are the costs of the loan to the lender? (forgoing some benefit from the use of the money during the length of the loan, risking the loss of the money if the loan is not repaid)

    c. What are the benefits for the borrower? (received money he or she wants to consume goods or services in the present)

    d. What are the costs for the borrower? (The loan must be repaid, perhaps with interest. The repayment will require the use of future income that cannot be used to consume something in the future.)

14. If no one is willing or able to lend a borrower money, what can they do? Are there alternatives? (They can go without. They can save and purchase the item later. They can trade for it. They can work to earn the money to pay for it.)

15. Discuss the following:

    a. What are the benefits and costs of going without? (benefit: no debt; cost: not having the item they want to consume)

    b. Do the benefits outweigh the costs? (Answers will vary.)

    c. What are the benefits and costs of saving to purchase the item later? (benefit: no debt; cost: giving up something you want now in order to save and the time they have to wait)

    d. Do the benefits outweigh the costs (Answers will vary.)

    e. What are the benefits and costs of trading? (benefit: no debt; cost: use of the item that they traded)

    f. Do the benefits outweigh the costs? (Answers will vary.)

    g. What are the benefits and costs of working to earn the money. (benefit: no debt; cost: leisure time given up for work)

    h. Do the benefits outweigh the costs? (Answers will vary.)

16. Reinforce the idea that borrowers have alternatives and that there are benefits and costs for each alternative.

17. **Closure.** Review the preview statements for the lesson, emphasizing that these are the "big ideas" the students should remember.

    a. Credit is based on trust.

    b. Borrowing is a way to increase current spending by using future income.

    c. Creditworthiness is determined by your behavior.

    d. Using benefit/cost analysis enhances decision making about lending or borrowing.

18. Instruct students to write a brief story about the benefits and costs that influenced their decision about whether to lend someone money. They should describe the factors that determined if the person was creditworthy.

19. **Extension.** Ask students, working in groups, to list the qualities of a person to whom they might lend money. Encourage them to be specific about how they would rate that person's creditworthiness. The analysis should include the benefits and costs. This activity can help them understand that they and others make judgements about trust based on their benefit/cost analysis. If the benefits exceed the costs, they will trust enough to lend or borrow. If the costs exceed the benefits, they will not.

4. CONNECT

Family Connection. Parents or guardians may be encouraged to share with their children their experiences using credit. Parents or guardians may explain which household items were purchased with credit and how the decisions to borrow were based on the benefits and the costs.

Mathematics Connection. The Federal Reserve Banks publish a variety of resource booklets about money, banking and credit. Students can figure simple interest on a loan. Some helpful publications about the mathematics of interest rates are:

- *The ABC's of Figuring Interest*. Federal Reserve Bank of Chicago, 1984. Discusses the various ways of calculating interest and how this affects the cost of credit.
- *The Arithmetic of Interest Rates*. Federal Reserve Bank of New York, 1984. Explains simple and compound interest, and how this can affect yields on securities and the costs of consumer credit.
- *The Basics of Interest Rates*. Federal Reserve Bank of New York, 1987. Provides an elementary discussion on interest rates and their effects on production, employment, income and prices.

Children's Literature:

- Kimmel, Eric A., *Four Dollars and Fifty Cents*. New York: Holiday House, 1989. To avoid paying the widow Macrae the four dollars

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and fifty cents that he owes her, deadbeat cowboy Shorty Long plays dead and almost gets buried alive.

•Brimmer, Larry Dane. *Country Bear's Good Neighbor*. New York: Orchard Books, 1988. Country Bear borrows all of the ingredients to bake a cake from his neighbor. Then, he shares the cake with the neighbor.

ACTIVITY SHEET 17

Credit Is Based on Trust

Purchase	Lender

LESSON 9

Buddy Can You Spare a Dime?

1. FOCUS

Student Objectives

- Explain the benefits and costs of lending money in several situations.
- Use benefit/cost analysis to enhance economic decisions involving lending.

Background

Students are often in situations when they wish to borrow or are asked to lend money. They borrow money for a variety of reasons and decide to lend or not to lend for a variety of reasons. They learn that borrowing or lending money has benefits and costs. The decision may be influenced by personal factors, such as their relationship with the lender or borrower. When money is lent, it is no longer available to the lender. There is always an opportunity cost to a lender and to a borrower. When people decide to borrow, they have decided to forgo something in the future when they repay the loan.

It is critical that students connect borrowing and lending decisions with the trade-offs they must make among their goals and the opportunity costs they must be willing to accept. Classroom experiences with choices among short-term and long-term goals will help to make these connections and result in more satisfying decisions in the future.

In this activity, students role-play how they would respond to various lending situations and analyze how to make better decisions about lending. By assuming the role of lender, students will analyze the qualities necessary to receive a loan. They will recognize that these are qualities they may wish to develop to improve their opportunities to borrow in the future.

Concept

Cost, benefit, credit, lending, borrowing

Preview

- ***Lending decisions have benefits and costs.***
- ***Better lending or borrowing decisions result when the benefits and the costs are understood.***

2. PREPARE

Activity Sheet 18: *Buddy Can You Spare a Dime?*	Construction paper (4 colors)
Activity Sheet 19: *Benefit/ Cost Analysis*	

1. Make enough copies of Activity Sheet 18 to provide a situation card for each student.
2. Cut the situation cards apart. Glue the copies of each situation to one of four different colors of paper. All situation 1 cards should be on paper of the same color, and so on.
3. Prepare an overhead transparency of Activity Sheet 19.

3. TEACH

Introduction

1. Explain that students are going to practice making good economic decisions about lending. Based on their economic knowledge of benefits and costs, they are going to decide who will receive credit.

Credit is money loaned, usually for a fee, that must be repaid at a future time.

2. Define **credit** as money loaned, usually for a fee, that must be repaid at a future time.
3. Ask students for examples of situations in which someone has asked to borrow money from them.
4. Ask students to explain why they did or didn't make the loan. As they respond, write key words on the board such as trust, family, friend, responsibility, and obligation.

Activities

1. Distribute one situation card from Activity Sheet 18 to every student.
2. Group students according to the background color of their situation card.
3. Instruct students to read their cards and write their responses to the situation on a piece of paper.

4. Explain that each member of the group should share his or her response to the situation. Then, the group should agree on one response and plan to act it out for the class.

5. Define **benefits** as the gain received from an action taken. Benefits are what people expect to receive as the result of a decision. Benefits may be monetary (interest), the use of a good or service, a good feeling, friendship, establishing trust, or some other intangible factor.

Benefits are the gains received from an action taken.

6. Define **costs** as that which must be given up when an action is taken. Costs may be monetary, the value of a forgone opportunity, or some intangible, such as feelings or status.

Costs are what must be given up when an action is taken.

7. Explain that their role play should include the decision and the benefits and costs of the decision. The students should summarize why the decision they reached was the best decision.

8. Allow time for each group to develop and present its role play.

9. At the end of each group's presentation, use a transparency of Activity Sheet 19 to restate the decision, the benefits of the decision, and the costs of the decision.

10. Instruct students to use the information from the transparency to generalize about the benefits and costs of lending and/or borrowing money in these types of situations.

11. Emphasize that the determination of benefits and costs will be an individual decision. What is a cost to one person may not be a cost or will seem to be less of a cost to another. What is a benefit to one person may not be a benefit of equal importance to another.

12. **Closure.** Review the preview statements for the lesson, emphasizing that these are the "big ideas" the students should remember.

    a. Lending decisions have benefits and costs.

    b. Better lending or borrowing decisions result when the benefits and the costs are understood.

13. Discuss the following:

    a. What would happen if the decisions in the situations were different? For example, what if you didn't lend a friend the money for a snack? (Answers will vary.)

    b. How might the result affect your relationship or your trust? (Answers will vary.)

14. Instruct students to write about a personal experience with lending and borrowing. Their story should illustrate the ideas of trust and its impact on benefit/cost analysis.

4. CONNECT

Family Connection. Do family members lend money to each other? If so, encourage them to discuss the reasons for the loans in terms of the benefits and costs to the lender. Parents or guardians may discuss the things they might lend the student money to purchase. How can the use of benefit/cost analysis help in making these decisions?

Mathematics Connection. Keep a classroom tally chart of the items (paper, pencils, lunch money, etc.) that are loaned/borrowed in the classroom over a period of several weeks or months. By tallying the loans, the students will build a greater awareness of the number of borrowing decisions they make.

Language Arts Connection. Students may write a short vignette about a time when they were in need of a personal loan or were asked to make a personal loan. Once written, student groups may act them out and identify the problem, decision, and benefits and costs to the lender and borrower. They should make a statement about how the use of benefit/cost analysis enhances decision making.

Children's Literature:

- Merrill, Jean. *The Toothpaste Millionaire*. Boston: Houghton Mifflin, 1972. Twelve year-old Rufus Mayflower did not start out to make a million dollars. The story follows the success of his toothpaste business. One of the issues he faces is how to borrow the funds to build his business.
- Silverstein, Shel. *The Giving Tree*. New York: Harper Collins, 1994. A story about trust, involving a boy and a tree. The tree gives everything to the boy until nothing is left.
- Woerkam, Dorothy O. *Tit For Tat*. New York: Greenwillow, 1977. A ragged stranger comes to a village on a cold winter night. He promises good luck to whomever will help him.

ACTIVITY SHEET 18

Buddy Can You Spare a Dime?

Situation 1

You are at the mall with one of your close friends. You have your $3.00 allowance with you.

Your friend wants to buy an action figure, but is $2.00 short.

Will you lend your friend the money?

What are your benefits and costs?

Situation 2

In the school cafeteria, the person in front of you realizes that he doesn't have extra money for a juice bar.

He turns to you and asks, "Will you lend me some money for a juice bar?"

What are your benefits and costs?

Situation 3

It's finally Friday! A group of your friends is walking home and passes a convenience store. They all want to have an after-school snack. Everyone but Chris, that is.

When you ask Chris what is wrong, you find out that Chris is broke. Will you offer to lend Chris enough money to get a snack with everyone else?

What are your benefits and costs?

Situation 4

Your mom is driving you home from practice when she realizes that the car is almost out of gas and she doesn't have any money with her.

She turns to you and asks you to lend her $5.00.

You were planning to meet some friends in a few minutes to play video games. What do you say?

What are your benefits and costs?

ACTIVITY SHEET 19

Benefits/Costs Analysis

Situation	Benefits	Costs	Decision
1			
2			
3			
4			

LESSON 10

The Road to Satisfaction

1. FOCUS

Student Objectives

- Explain that a budget is a plan for managing income and spending.
- Identify the advantages of using a budget to manage income and spending.
- Illustrate how budgeting requires trade-offs among economic goals.
- Use knowledge of opportunity cost and benefit/cost analysis to make more informed budgeting choices.

Background

A budget is scary to many people. It brings thoughts of sacrifice or giving up the things they want. It is seldom seen as a helpful tool for making better decisions about the things they want, including financial success. Although the amount of income to be managed at any given time may seem small, a family with just $35,000 in annual income will manage over $1.4 million over forty years. No one would imagine a small business handling this amount of money without a budget, but that's what many families do.

Building an understanding of the benefits and costs of budgeting and money management skills while young will contribute to greater financial well-being as incomes and the magnitude of spending decisions increase. In this activity, students play a game that illustrates the advantages of budgeting and the perils of poor money management, and learn to make better decisions.

In the game, the students face situations and problems that are typical of budgeting. In some cases, their choice will solve a problem. In some cases, they must choose from among alternatives to decide which want to satisfy with their limited resources.

Concepts

Wants, trade-offs, opportunity cost, money management, budget

Preview

- ***A budget is a plan for managing income and spending.***
- ***Budgeting requires trade-offs among economic goals.***

- ***Better economic decisions result when benefits and costs, trade-offs, and opportunity costs are evaluated.***

2. PREPARE

Activity Sheet 20: *The Road to Satisfaction Game Cards*	One die or spinner with five or six numbers for each group of students
Activity Sheet 21: *The Road to Satisfaction Game Board*	Markers for the game board (coins or small objects)
Activity Sheet 22: *The Road to Satisfaction Game Rules*	Cardboard or manila folders

1. Make a copy of Activity Sheet 20 game cards on card stock for groups of 2-4 students.
2. Make copies of Activity Sheets 21 and 22 for each group of 2-4 students.
3. Glue the game board to cardboard or a manila folder, being careful to match the rows.
4. Cut the game cards apart for each group.

3. TEACH

Introduction

1. Explain that students will play a game in groups of two, three, or four. The game involves a budget. Players who adhere to their budget will advance on the game board, and players who do not adhere to their budget will not advance.

A budget is a plan for managing income and spending.

2. Explain that a budget is a plan for managing income and spending. A budget helps people plan for income and expenditures to make sure that they make the greatest possible progress toward satisfying wants and achieving economic goals.
3. Ask students why they would want to use a budget or to keep track of their spending? (Elicit ideas abut getting the most satisfaction possible from income by not spending too much on impulse, saving for future wants, and so on.)
4. Explain that analysis of trade-offs and opportunity costs in budgeting is an effective way to improve decision making.

Trade-offs involve giving up some of one thing to get more of another.

Opportunity cost is the highest forgone alternative when another option is chosen.

5. Define trade-offs and opportunity costs. **Trade-offs** involve giving up some of one thing to get more of another. The **opportunity cost** of a decision is the highest forgone alternative.

Activities

1. Explain that the game students are going to play is called *The Road to Satisfaction*. The object of the game is to achieve financial success and satisfy wants by using good money management behavior based on trade-offs and opportunity cost.
2. Define a want as a desire that can be satisfied by consuming a good or service.

A want is a desire that can be satisfied by consuming a good or service.

3. Divide the students into small groups. Distribute a copy of *The Road to Satisfaction* game board, a set of game cards, a copy of Activity Sheet 22, game-board markers, and a die or spinner to each group.
4. Use Activity Sheet 22 to review the rules of the game.
5. Instruct each group to shuffle the game cards and place them on the game board.
6. Allow time for groups to play the game. Point out that the first player to reach "Satisfaction" is the winner. However, play should continue until all reach "Satisfaction." All students will be winners when they reach "Satisfaction."
7. After play is complete, instruct the groups to sort the cards into three categories: advanced play, go back, and stay put. The winner of the game should collect "advanced play" cards. The player in second place should collect "go back" cards. The remaining group member(s) should collect the "stay put" cards.
8. Ask students to review the cards to answer the following questions.
   a. What situations or behaviors helped players cross the Budget Bridge or go ahead? (following a spending plan, saving, using a budget, considering the benefits and costs of the choice)
   b. What situations or behaviors caused a player to lose a turn or go back? (not using a budget, impulse spending, neglecting saving goals, not weighing costs and benefits)
   c. What situations involved trade-offs when a choice was made? (situations when one alternative was given up for another)

A trade-off involves giving up some of one thing to get some of another thing.

   d. Why did some cards have negative consequences? (They represented poor budgeting behaviors.)
   e. What were some of the poor budgeting behaviors? (impulse buying, lack of planning)
   f. What behaviors were rewarded as examples of good budgeting behaviors? Why? (discipline — budgeting takes discipline, sticking to a plan to achieve your goals — discipline requires knowing your alternatives, assessing the benefits and the costs, and making trade-offs; planning — achieving goals is easier when you have a plan to achieve your goal — planning includes

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saving, borrowing, and making thoughtful spending decisions based on opportunity cost; evaluating benefits and costs — a good money manager knows the costs and benefits of the alternatives of each decision. Trade-offs must be made because you will usually not be able to achieve all of your goals.)

9. **Closure.** Review the preview statements of the lesson, emphasizing that these are the "big ideas" the students should remember.

   a. A budget is a plan for managing income and spending.
   b. Budgeting requires trade-offs among economic goals.
   c. Better economic decisions result when benefits and costs, trade-offs, and opportunity costs are evaluated.

10. Ask the students to define a budget. (a plan for managing income and spending)

11. Instruct students to think back to the previous week and determine what their income was. (Remind them to include their allowance, money earned at a job, money received as a gift, money found, money they were given to buy breakfast or lunch.)

If students want to get their spending under better control, they may keep a spending diary as they spend their income for a week. They should write down how much they spend as it is being spent.

12. Ask the students to reconstruct a spending diary for the previous week. Discuss:

   a. Did you save any money? (Answers will vary.)

   b. Did you have a budget? (Answers will vary.)

   c. How do you feel about the way you handled your income? (Answers will vary.)

   d. What were the benefits, costs, opportunity costs, and trade-offs involved in your spending decisions? (Answers will vary.)

   e. How would a budget help you to improve the spending and saving decisions you made? (Answers will vary.)

4. CONNECT

Family Connection. The family may discuss with the children the benefits of planning to manage income, spending, and saving. As goals are identified and income allocated, families may discuss the benefits and costs and opportunity costs of budget items. The local office of the Consumer Credit Counseling Service may have information about budgeting and money management for families to read together. Additional resources are available to assist families write management plans:

- Bodnar, Janet. *Kiplinger's Money Smart Kids (and Parents Too!)*, Washington, DC: Kiplinger's. A guide for parents to help children become better consumers and money managers.
- Godfrey, Neale S. and Edwards, Carolina. *Money Doesn't Grow on Trees*. New York: Simon & Schuster, 1994. A practical guide for

parents to help children develop good money management habits. Has a good section on budgeting.

- Nichols, Harwood. *Money Sense: The Parents' Guide to Teaching Children About Money*. Washington, DC: Acropolis Books, 1988. Helpful ideas for parents to teach children about spending, saving, and money management decisions.
- Rhyne, Craig W. and Faith. *Monthly Money — An Allowance and Responsibility System for Kids and Teenagers*. Monthly Money, 1991. Activities to help children develop spending, saving and money management habits.
- Santamaria, Peggy. *Money Smarts*. New York: Rosen, 1992. This book includes a variety of personal finance topics, including managing money and budgeting.
- _____, *Children and Money Management*. Prospect Heights, IL: Household International, 1989. One of a series of publications from Household International's Money Management Institute, intended for classroom use. A good reference for teachers.

Mathematics Connection. Investigate the prices of the major items of a budget. What will it cost to purchase all of the things to live on your own after high school?

Language Arts Connection. Students may write a story (individually or as a class) about budgeting that includes all of the vocabulary terms in the lesson. The story should include how opportunity cost and benefit/cost analysis helps the characters to make better budgeting decisions. As an alternative, the teacher may begin the story orally. Each student may continue the story by including one of the vocabulary terms. The story may continue until each student has contributed at least one of the terms appropriately.

Children's Literature.

- Leedy, Loreen, *The Monster Money Book*. New York: Holiday House, 1992. The members of the Monster Club discuss what to do with the fifty-four dollars in their treasury.
- Sloat, Alfred. *The Trading Game*. New York: Lippencott, 1990. Andy faces a dilemma when his Grampa Jim offers to coach his baseball team. Grampa's rules are a little different than Andy's, creating a conflict about winning and friendship.

ACTIVITY SHEET 20

Road to Satisfaction Game Cards

You just learned the meaning of the word "procrastination" and decided you had better do something about making a spending plan. Good job! **TAKE ANOTHER TURN**	You carefully record your spending habits for a week to learn where your money goes. Bravo! **TAKE ANOTHER TURN**
A friend asks you to go to a movie. You don't want to hurt your friend's feelings and decide to go to the movies. This was not part of your budget. You gave up one goal for another. **TRADE-OFF, STAY PUT**	You forgot to add holiday gifts to your budget. Oops! **LOSE A TURN**
You follow your spending plan for the week. Congratulations! **CROSS THE NEXT BUDGET BRIDGE**	You found change in the sofa while vacuuming. This increases your available cash. Lucky you! **TAKE ANOTHER TURN**
You think that just because you blew your spending plan you are a failure. You're not a failure, but you do need to learn a little more about budgeting. **GO BACK TO START**	After completing a spending diary you discover you are unable to spend any money for a week. Apparently, you need to know a little more about budgeting. **GO BACK TO START**

Activity Sheet 20 (Continued)

Your budget includes "paying yourself first" or saving. **CROSS THE NEXT BUDGET BRIDGE**	You are saving for a soccer ball but spend the money you saved at the arcade. You made a choice, but you won't have the soccer ball for a while. **TRADE-OFF, STAY PUT**
This was an average week. Some good decisions, some bad. You're getting there. **STAY PUT**	You did not spend all your income and put some into your savings account. This might be good or bad for you. You'll have to wait and see. **TRADE-OFF, STAY PUT**
You decide to rent a game at the local video store. This was not a planned purchase, but you made a choice. **TRADE-OFF, STAY PUT**	A friend asks you to go shopping after school. You say that you will go, but you can't buy anything because it is not in your budget. Way to go! Sometimes it's hard to say no! **CROSS THE NEXT BUDGET BRIDGE**
No time to think about spending. You've got to study for the social studies test. **STAY PUT**	You carefully record your spending habits in a spending diary for a week to determine where you are spending your income. Excellent! **TAKE ANOTHER TURN**

Activity Sheet 20 (Continued)

Your budget needs some fine tuning, and you ask an adult for advice. You don't have to follow his or her advice, but it is always good to ask. **TAKE ANOTHER TURN**	You keep a spending diary and "think" before you spend. **CROSS THE NEXT BUDGET BRIDGE**
Your best friend asks to borrow money to buy a new CD. You have never been able to say no to a friend. Budgeting takes discipline. **LOSE A TURN**	You waited until that special item went on sale. It took a while, but it was finally within your budget. Way to go! **GO AHEAD ONE SPACE**
You increased your income by recycling aluminum cans. Good job! **GO AHEAD TWO SPACES**	All of your friends were buying things at the mall. You didn't really want to, but bought a new shirt just to go along with the crowd. Budgeting takes discipline. **GO BACK TWO SPACES**
You decide to buy an extra a la carte item during lunch. It wasn't in your budget, but you were really hungry. **TRADE-OFF, STAY PUT**	You were too lazy to go to the bank, and now you cannot find the money you got for your birthday. It is somewhere in your room, but you haven't a clue about where. Get organized! **GO BACK ONE SPACE**

Activity Sheet 20 (Continued)

You passed the economics quiz. All that studying paid off. **GO AHEAD ONE SPACE**	You really want that new game and decide to borrow $10. You plan to pay it back with $1 a week from your budget for the next ten weeks. This was a choice that helped you to achieve a goal. **TRADE-OFF, STAY PUT**
You took money out of your college savings to buy a video game. You made a choice, but it will take longer to achieve your savings goal. **GO BACK ONE SPACE**	You used to spend a lot of money on little things. Now that you are growing up, you think more about the big things you want to buy and a budget can help you do that. Wow! **CROSS THE NEXT BUDGET BRIDGE**
You bought a new game on an impulse. After thinking about it, you decided that there were more important things to budget for and returned it. It's okay to change your mind. **GO AHEAD ONE SPACE**	You can't figure out where all of your money is going so you decide to keep a spending diary for a week. You will learn a lot from this. **GO AHEAD TWO SPACES**
You put all of your allowance in your pocket. At the end of the week there was nothing left, and you can't remember what you bought. Maybe you should pay a little more attention to your spending habits. **GO BACK TO THE START**	Your lucky day! You won $20 from the radio station by being the seventh caller to "Name That Tune." You decide to spend $10 and save $10. You get a little of each goal. **TRADE-OFF, STAY PUT**

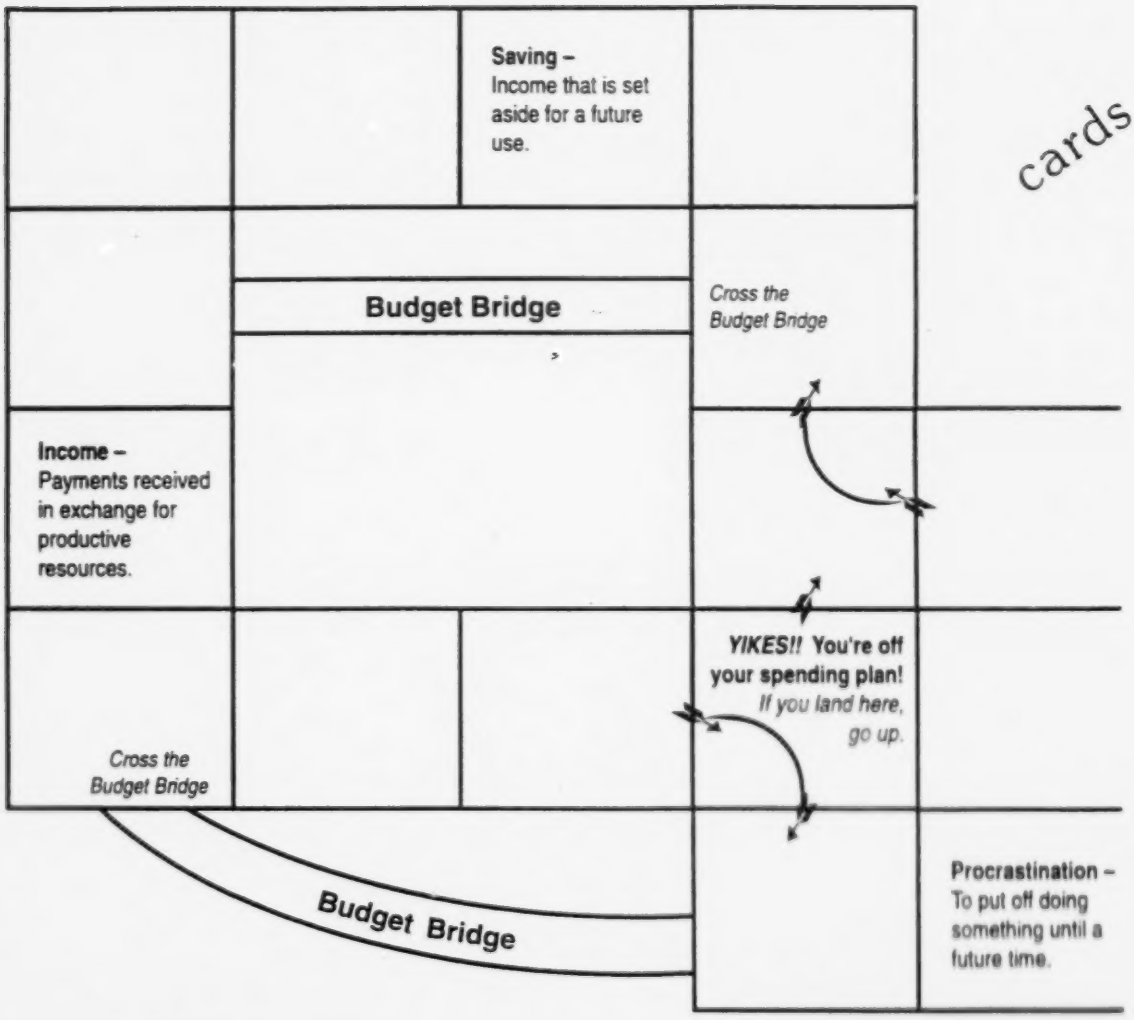
Activity Sheet 20 (Continued)

You stopped at the Video Arcade on your way to the store to buy school supplies. You had planned to play just one game. Fifteen minutes later, your pockets are empty. Now what are you going to do? **LOSE A TURN**	You decide that it is easy to save if you put all of your pennies and nickels in a piggy bank every day. Little amounts add up if you have a plan and stick to it. **GO AHEAD ONE SPACE**
Your friend reminds you that you have borrowed over $2 during the last week for lunch. Where did all of your money go and how are you going to repay the $2? **GO BACK TWO SPACES**	You find you can't discipline yourself to save. You ask that $1 a week be deducted from your allowance and be put into a savings account. You will learn to do it yourself some day. **GO AHEAD ONE SPACE**
You review your budget and discover that you've been spending too much on snacks. You decide it is time to adjust your budget priorities. **CROSS THE NEXT BUDGET BRIDGE**	You bought your mother a birthday gift. What a nice thing to do! **DRAW ANOTHER CARD**
You are sick and have to stay at home today; no consumer decisions to make. **DRAW ANOTHER CARD**	You scored the winning goal in the soccer game. Congratulations! **DRAW ANOTHER CARD**

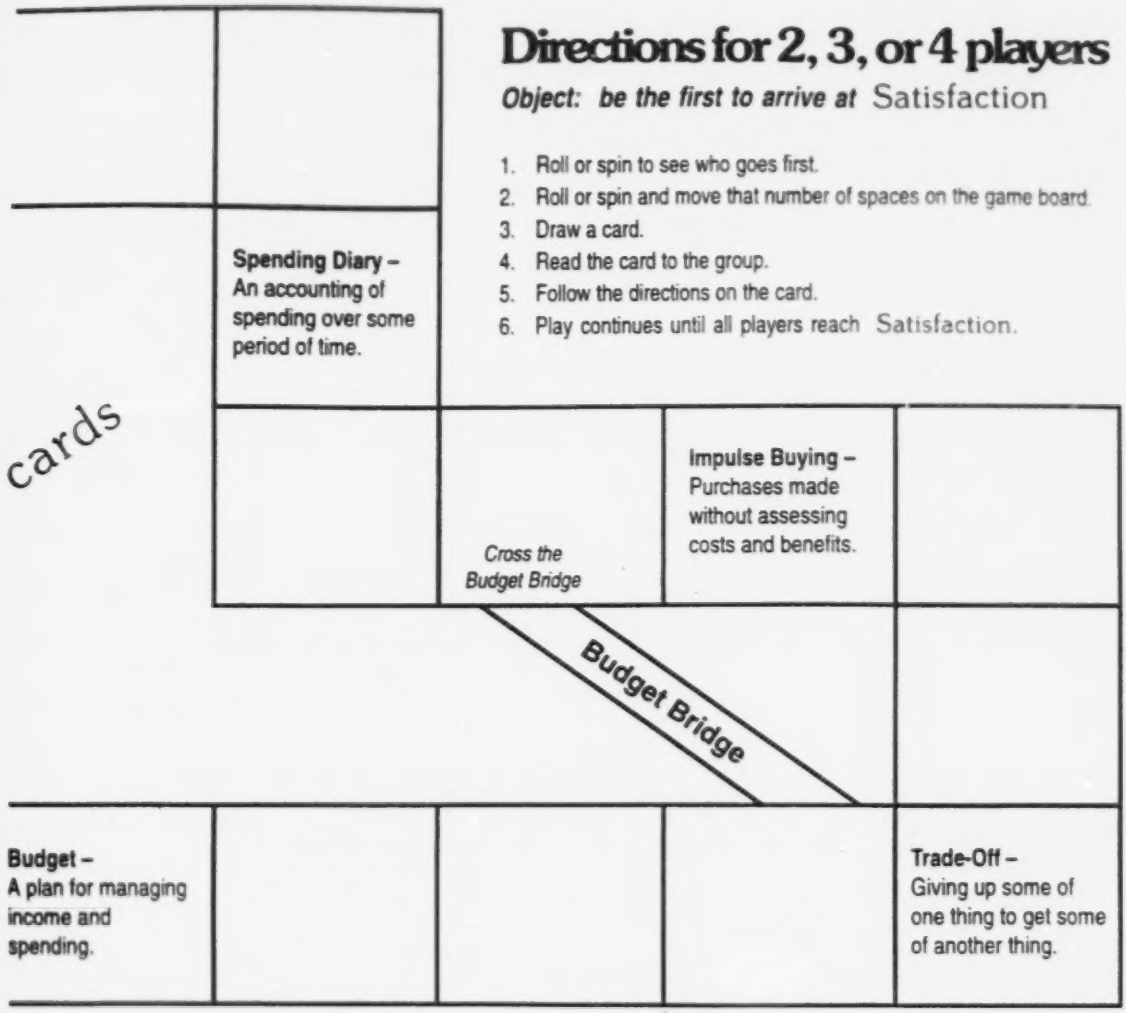
ACTIVITY SHEET 21

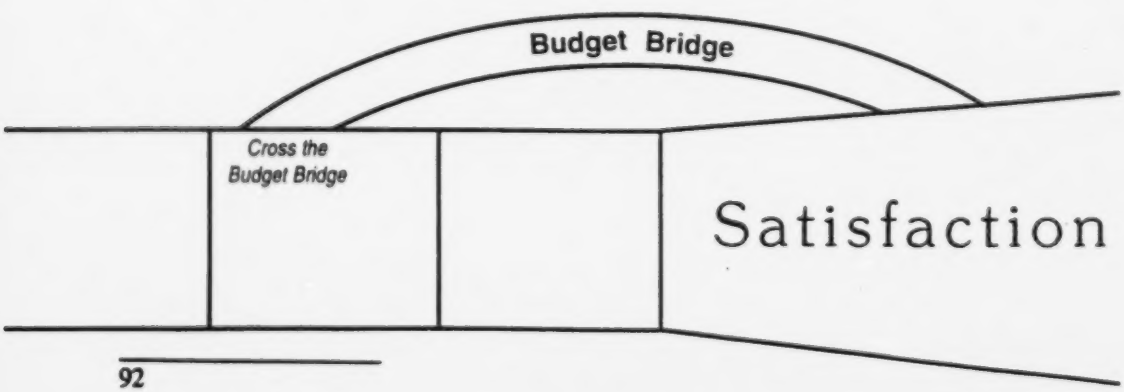
The Road to Satisfaction Game Board: the way to good money management

START


Saving – Income that is set aside for a future use.
cards
Budget Bridge
Cross the Budget Bridge
Income – Payments received in exchange for productive resources.
YIKES!! You're off your spending plan! If you land here, go up.
Cross the Budget Bridge
Budget Bridge
Procrastination – To put off doing something until a future time.

Activity Sheet 21 (Continued)


Directions for 2, 3, or 4 players
Object: be the first to arrive at Satisfaction
1. Roll or spin to see who goes first.
2. Roll or spin and move that number of spaces on the game board.
3. Draw a card.
4. Read the card to the group.
5. Follow the directions on the card.
6. Play continues until all players reach Satisfaction.
Spending Diary – An accounting of spending over some period of time.
cards
Impulse Buying – Purchases made without assessing costs and benefits.
Cross the Budget Bridge
Budget Bridge
Budget – A plan for managing income and spending.
Trade-Off – Giving up some of one thing to get some of another thing.



ACTIVITY SHEET 22

The Road to Satisfaction
Game Rules

- Students take turns as they move around the board.
- Determine the order in which the students will play by spinning or by rolling a die. The student with the highest number goes first followed by the person on his or her left, and so on.
- Use a die or a spinner to determine how many spaces a student moves on each turn.
- After each move, draw a card, read it aloud, and follow the directions on the card.
- If you land on a "Cross the Budget Bridge" space, you may take the short cut toward "Satisfaction."
- If you land on "Yikes," you must move up and around the square again.
- Play continues until all players reach "Satisfaction."

"GO AHEAD" means move forward; move toward satisfaction.

"GO BACK" means move backward; move toward start.

"STAY PUT" means to do nothing; to stay at that space.

"TAKE ANOTHER TURN" means to roll the die or spin again.

"LOSE A TURN" means to skip that player's next roll or spin.

Some cards will require no action. In those cases, the player remains in that space.

GLOSSARY

Personal Finance Economics, 3-5: $mart $pending and $aving

benefit/cost analysis to evaluate an alternative by comparing expected benefits and costs.

benefit the gain received from voluntary exchange

borrowing obtaining funds through loans, a method of satisfying today's wants using future income

budget a plan for managing income and spending

budgeting implementing a plan for managing income and spending

complements products that are used in combination with one another, such as hamburger and hamburger buns

consume to use a good or service to satisfy a want

consumer people whose wants are satisfied by using goods and services

consumption using goods and services to satisfy wants

cost that which must be given up to obtain a benefit

credit money loaned, usually for a fee, that must be repaid at a future time

creditworthy having the qualities that show the ability to obtain and repay debts

demand the quantities of a product that consumers are willing and able to buy at all possible prices during a specific time period

determinants of demand factors that influence consumer purchases of goods, services, or resources

fable a fictitious narrative intended to teach some moral truth or precept, in which animals or inanimate objects may be represented as speakers and actors

fact a statement that can be proven true or false

goods objects that can satisfy people's wants

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impulse buying	purchases made without carefully assessing the benefits and costs or the opportunity cost of a decision
incentive	a factor that motivates or influences human behavior
income	payments received by households for selling or renting their productive resources (the greater the consumer's income, the greater the ability to purchase goods and services)
interest	payments made for the use of borrowed money or received for loaned money
investment	spending to purchase newly produced capital goods
lending	to provide money for temporary use on the condition that the same or its equivalent be returned
marginal analysis	consumers use marginal analysis when they consider whether to buy one unit more or one unit less of a good or service in an effort to obtain the mix of goods and services that will provide them with the greatest satisfaction for their available buying power
marginal benefit	the additional benefit received from the purchase of one additional unit of a good or service
marginal cost	the additional cost of purchasing one more unit of a good or service
money management	a system for income and spending that allows for the achievement of financial and consumer goals
opportunity cost	the highest valued alternative that must be forgone because another option is chosen
opinion	a statement based on belief or value
price	the amount of money that people pay to buy a unit of a good or service
procrastination	to put off something until a future time
quantity demanded	how much consumers are willing and able to purchase at a specific price
saving	income that is not spent
scarcity	the condition of not being able to have all of the goods and services that you want
services	activities that can satisfy people's wants
spending diary	an accounting of spending over some period of time

substitutes	products that can replace one another such as butter and margarine
tastes and preferences	non-price influences on consumers' demand for a good or service, including utility, quality, individual values, likes and dislikes (color, design, etc.)
trade-off	giving up some of one thing to get some of another thing
want	a desire that can be satisfied by consuming a good or service

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